

ENGELHARD

US EPA RECORDS CENTER REGION 5

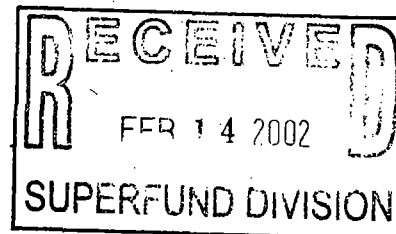


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ENGELHARD CORPORATION
101 WOOD AVENUE
P.O. BOX 770-
ISELIN, NEW JERSEY 08830-0770
(732) 205-5000

February 12, 2002

Margaret Herring
U.S. Environmental Protection Agency
Remedial Enforcement Support Section
77 W. Jackson Boulevard, Mail Code SR-6J
Chicago, Illinois 60604



Re: Request for Information Pursuant to Section 104 of CERCLA for Chemical Recovery Systems, Inc. Site, in Elyria, Ohio

Dear Ms. Herring:

This letter is submitted on behalf of Engelhard Corporation ("Engelhard") and in response to the December 6, 2001 request for information (the "Information Request") issued by the U.S. Environmental Protection Agency ("EPA") to Engelhard, on behalf of Harshaw Chemical Corporation, pursuant to Section 104 (e)(2) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA") and with respect to the Chemical Recovery Systems, Inc. Site, in Elyria, Ohio.

Engelhard received the Information Request on or about December 13, 2001. On December 14, 2001, Robert Tapper, acting on behalf of Engelhard, requested a 30-day extension to respond to the Information Request. Subsequently, on December 17, 2001, Mr. Tapper received an e-mail confirmation from Thomas Nash, Associate Regional Counsel that granted the 30-day extension of time (February 13, 2002 is the due date).

The corporate history of, and the relationship between The Harshaw Chemical Corporation and Engelhard, are complex and require some explanation. Our records indicate that Harshaw is actually 3 separate entities. From 1895 to September 22, 1966 The Harshaw Chemical Company was an Ohio corporation that merged into Kewanee Oil Company on the latter date. From September 22, 1966 to October 1, 1975 operations were conducted under the Harshaw name as an unincorporated division of Kewanee. On October 1, 1975, the assets of the Harshaw division (other than certain real estate) were transferred to The Harshaw Chemical Company, a New Jersey corporation ("Harshaw NJ"). Engelhard acquired the stock of Harshaw NJ in 1988. Engelhard believes that Kewanee (as operating company from 1966 to 1975 and as successor by merger to the predecessor Ohio Corporation), not Harshaw NJ, has responsibility for any exposure prior to October 1, 1975.

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Based on the corporate history outlined above, Engelhard did not own or operate Harshaw until 1988, and of necessity is limited to respond to questions for the time period 1988 to present. To the knowledge of the undersigned, this response accurately reflects the results of a diligent review of available information relevant to the Information Request, as conducted in the time permitted. Engelhard recognizes its continuing obligation to supplement its response to the Information Request should it identify additional responsive information. Engelhard understands that the EPA will not seek referral to the U.S. Department of Justice for non-compliance with the Information Request under 42 U.S. § 9604(e)(5) in the event additional responsive information is identified and submitted to the EPA at some future date.

Submission of this response and accompanying documents is not intended and should not be construed as an acknowledgment or admission of any responsibility, fault or liability of Engelhard, or any of its affiliates, officers, directors, employees, agents or representatives, relating to the Chemical Recovery Systems, Inc., in Elyria, Ohio or any other site, or as a waiver of any rights, privileges or defenses with respect thereto, or with respect to any documents or information provided with this submission, including, without limitation, any objection to the use of any document as evidence or otherwise in any forum, all of which are expressly reserved. Engelhard reserves the right to object on any basis or ground to the use, in whole or part, of any document or information submitted herewith in any proceeding of for any purpose.

To the extent the Information Request can be construed as asking for disclosure of privileged information or as requesting information of a kind and/or in a form not authorized by applicable law, Engelhard claims any applicable privilege and objects to the Information Request. Any inadvertent production of privileged material is not intended as a waiver of the applicable privilege.

Each question in the Information Response is responded to separately below.



CHEMICAL RECOVERY SYSTEMS, INC., SITE QUESTIONS

I. Background Information

1. Identify all persons consulted in the preparation of the answers to these questions.

Response:

Mr. Andrew Kopas
Manager, Environmental Services
Engelhard Corporation
120 Pine Street
Elyria, OH 44122
Phone: 440-329-2553
Fax: 440-323-2430

2. Identify all documents consulted, examined, or referral to in the preparation of the answers to these questions and provide copies of all such documents.

Response:

No responsive documents have been identified.

3. If you have reason to believe that there may be persons able to provide a more detailed or complete response to any question or who may be able to provide additional responsive documents, identify such persons.

Response:

Engelhard has not identified information responsive to this question.

4. List the EPA Identification Numbers of the Respondent.

Response:

OHD004203519

5. Identify the acts or omissions of any person, other than your employees, contractors, or agents, that may have caused the release or threat of release of hazardous substances, pollutants, or contaminants and damages resulting therefrom.

Response:

Engelhard has not identified information responsive to this question.

II. Dealings with Obitts Chemical Company and Successor Firms

1. Identify all persons including respondent's employees, who have knowledge or information about the generation, use, treatment, storage, disposal or other handling of material at or transportation of materials to the Site (operating as Obitts Chemical Company or Chemical Recovery Systems, Inc., at 142 Locust Street, Elyria, Ohio).

Response:

Engelhard has not identified information responsive to this question.

2. Describe all arrangements that Respondent may have or may have had with each of the following companies and persons:

- a) Obitts Chemical Company
- b) Russell Obitts
- c) Chemical Recovery Systems, Inc.
- d) Peter Shagena
- e) James Freeman
- f) James "Jim" Jackson
- g) Donald Matthews
- h) Bob Spears
- i) Bill Bromley
- j) Nolwood Chemical Company, Inc.
- k) Art McWood
- l) Chuck Nolton
- m) Michigan Recovery System, Inc,
- n) Chemical Recovery Systems- Michigan

Response:

Engelhard has not identified information responsive to this question.

3. Set forth the dates during which the Respondent engaged in any of the following activities:

- a) generation of hazardous materials that were sent to the CRS Site;
- b) transportation of any material to the CRS Site.

Response:

Engelhard has not identified information responsive to this question.

4. Identify all persons, including yourself, who may have arranged for disposal or treatment, or arranged for transportation for disposal or treatment, of waste materials, including hazardous substances, at the CRS Site. In addition, identify the following:

- a) The persons with whom you or such other persons made such arrangements;
- b) Every date on which such arrangements took place;
- c) For each transaction, the nature or the waste material or hazardous substance, including the chemical content, characteristics, physical state (e.g., solid, liquid), and the process for which the substance was used or the process which generated the substance;
- d) The owner of the waste materials or hazardous substances so accepted or transported;
- e) The quantity of the waste materials or hazardous substances involved (weight or volume) in each transaction and the total quantity for all transactions;
- f) All tests, analyses, and analytical results concerning the waste materials;
- g) The persons(s) who selected the Site as the place to which the waste materials or hazardous substances were to be transported;
- h) The amount paid in connection with each transaction, the method of payment, and the identity of the person from whom payment was received;
- i) Where the person identified in g., above, intended to have such hazardous substances or waste materials transported and all evidence of this intent;
- j) Whether the waste materials or hazardous substances involved in each transaction were transshipped through, or were stored or held at, any intermediate site prior to final treatment or disposal;
- k) What was actually done to the waste materials or hazardous substances once they were brought to the Site;

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- l) The final disposition of each of the waste materials or hazardous substances involved in such transactions;
- m) The measures taken by you to determine the actual methods, means, and site of treatment or disposal of the waste material and hazardous substance involved in each transaction.
- n) The type and number of containers in which the waste materials or hazardous substances were contained when they were accepted for transport, and subsequently until they were deposited at the Site, and all markings on such containers;
- o) The price paid for (i) transport, (ii) disposal, or (iii) both of each waste material and hazardous substance.
- p) All documents containing information responsive to a -o above, or in lieu of identification of all relevant documents, provide copies of all such documents.
- q) All persons with knowledge, information, documents responsive to a -p above.

Response:

Engelhard has not identified information responsive to this question.

5. Identify all liability insurance policies held by Respondent from 1960 to the present. In identifying such policies, state the name and address of each insurer and of the insured, the amount of coverage under each policy, the commencement and expiration dates for each policy, whether or not the policy contains a "pollution exclusion" clause, and whether the policy covers or excludes sudden, nonsudden, or both types of accidents. In lieu of providing this information, you may submit complete copies of all relevant insurance policies.

Response:

With respect to insurance policies, Engelhard construes Question II.5 to seek information relative to the financial ability of Engelhard to contribute to the cleanup of the Site in the event that Engelhard is subsequently identified as a potentially responsible party. In this regard, Engelhard submits the Engelhard Corporation Form 10-K Annual Report pursuant to Section 13 or Section 15(d) of the Securities and Exchange Commission for the fiscal year ended December 31, 2000 (Enclosed as Document 1). If additional information is required, please notify the undersigned.

6. Provide copies of all income tax returns, including all supporting schedules, sent to the Federal Internal Revenue Service in the last five years.

Response:

Please see response to Question II.5.

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7. If Respondent is a Corporation, respond to the following requests:

a) Provide a copy of the Articles of Incorporation and By-Laws of the Respondent.

Response:

Articles of Incorporation and By-Laws are included as Document 2.

b) Provide Respondent's financial statements for the past five fiscal years, including, but not limited to those filed with the Internal Revenue Service and Securities and Exchange Commission.

Response:

Please see response to Question II.5.

c) Identify all of Respondent's current assets and liabilities and the person who currently own or are responsible for such assets and liabilities.

Response:

Please see response to Question II.5.

d) Identify the Parent Corporation and all Subsidiaries of the Respondent.

Response:

See Document 3

III. Manufacturing Processes of Harshaw Chemical

I. Describe the manufacturing processes used and products produced at the Elyria, Ohio facility of Harshaw Chemical, now Engelhard Chemical Corporation, and any predecessor of Harshaw Chemical at this location from inception of activity until the present. Include:

a) the families or types of products produced;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, the facility produces inorganic catalysts for the chemical and petrochemical industries, inorganic pigments that are used in ceramic tiles and plastics, and inorganic zirconium products that are used in commercial and consumer products.

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b) the inclusive dates during which each family or type of products were produced;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, all products described in the above response were produced from 1988 to present.

c) a description of the manufacturing process(es) used in the production of each of the families or types of products that are identified in response to III.l.a.

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, inorganic catalysts are produced either by a wet or dry method. The wet method involves precipitation, filtering, and calcining. The dry method involves mixing with water, extruding, and calcining. Inorganic pigments are produced by blending mixed metal oxides, calcining, and milling to the appropriate particle size. Inorganic zirconium products are produced by reacting zirconium silicate with sodium hydroxide, washing, drying, and milling to the appropriate particle size.

d) the methods used to clean equipment following the fabrication of the products identified in response to III.l.a. Identify the solvents and volatile chemicals used in these cleaning methods.

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, process equipment was cleaned with high-pressure water or steam. Minor maintenance equipment was cleaned with Safety Kleen parts washer solvents from 1991 to 1995. The spent cleaning solvents contained halogenated solvents, toluene, benzene, methyl ethyl ketone, and tetrachloroethylene. From 1995 to present, a Zep parts washer system was used. The Zep parts washer solvent contains Light Aliphatic Naphtha.

e) the means and methods used in the disposal of the contaminated products used in the cleaning processes described in III.l.d. Identify waste haulers and the places of disposal.

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, spent Safety Kleen parts cleaner solvents were hauled off-site by Safety Kleen Corp., to Safety-Kleen facilities in New Castle, KY; Brunswick, OH; and Hebron, OH. The spent Zep parts washer solvent was hauled off site by LWD Trucking, to LWD Sanitary Landfill in Calvert City, KY.

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2. During its operation at the Elyria location, did Harshaw Chemical, any predecessor, or its successor produce: paints, lacquers, coatings, or dry product whose ultimate use would be in a paint, lacquer, or coating? If other than an unequivocal no, answer the following:

a) the product by generic and trade name;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, inorganic pigment produced at the facility may be used in paint.

b) the period(s) of its production

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, the period of production for inorganic pigments used in paint would be from 1988 to present.

c) any heavy metal used in the fabrication of the product.

Response:

Engelhard objects to this question as it is unsure how the term "heavy metal" is defined. Furthermore, use of specific metals is discussed below.

3. Throughout the period of operation of the Elyria facility was any of the following chemicals and metals used in production or operation of the facility?

Chemicals: PCE, Naphthalene, Benzo(a)anthracene, Benzo(k)fluoranthene, Benzo(a)pyrene, Indeno(1,2,3-cd)pyrene, Tetrachloroethylene, and solvents including, but not limited to, xylene, toluene, chloroform, ethyl benzene.

Metals: Arsenic, Barium, Cadmium, Lead, Manganese, Nickel, Antimony, Beryllium, Cobalt, Copper, Zinc, Mercury, Selenium.

If your response is other than an unequivocal no, answer the following for each item used:

a) how used;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, tetrachloroethylene,

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xylene, and other solvents identified in Response III.1.d., were present in spent parts cleaner solvents. Barium, Manganese, Nickel, Antimony, Cobalt, Copper, Zinc, and were used in the manufacture of inorganic pigments. Small amounts of Mercury were used in the analytical laboratory.

b) periods of use;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, Barium, Cadmium, Lead, Manganese, Nickel, Antimony, Cobalt, Copper, Zinc, and Mercury were used in the manufacture of inorganic pigments from 1988 to present. Parts cleaner solvents were used from 1991 to 1995.

c) quantity used per calendar period (month, quarter, or year).

Response:

Engelhard object to this question on the basis that it is irrelevant, onerous, and overly burdensome.

4. As Harshaw operated in the present location and acquired additional adjacent properties, did Harshaw petition the City of Elyria to vacate streets, alleys, or close water mains, waste water sewers, or storm water sewers? If yes provide specific information about each instance of vacation or closure.

Response:

Engelhard has not identified information responsive to this question.

5. Identify areas or structures of the Harshaw facility in which chemicals were stored including, but not limited to, outdoor drum storage areas, underground storage tanks. For each such area and structure describe:

a) describe the location of the storage area or structure;

Response:

Based on the corporate history previously explained, Engelhard can only respond to this question for the time period 1988 to present. Per verbal statements from Mr. Kopas, the majority of bulk liquid raw materials are stored in a tank farm adjacent to the rail spur on the southeast portion of the property. Other liquids, and solid raw materials are stored in the warehouse to the west of the tank farm.

b) the period of time during which the area or structure was used for storage;

Response:

See response to question III 5.a.

c) the kinds of chemicals stored in that area or structure.

Response:

See response to question III 5.a.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based upon my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.



Scott W. Clearwater
Director, EHS
Engelhard Corporation
101 Wood Ave.
Iselin, NJ 08830
Phone 732-205-6965
Fax 732-205-6868

Notary seal



THERESA SOLECKI
NOTARY PUBLIC STATE OF NJ
MY COMMISSION EXPIRES 12/17/04

DOCUMENT 1

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2000
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

X
--- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000
OR

--- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8142

ENGELHARD CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

22-1586002
(I.R.S. Employer Identification No.)

101 WOOD AVENUE, ISELIN, NJ
(Address of principal executive offices)

08830
(Zip code)

Registrant's telephone number, including area code (732) 205-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
---------------------	---

----- Common Stock, par value \$1 per share	----- New York Stock Exchange
--	----------------------------------

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☒

Number of shares of common stock outstanding as of March 23, 2001 - 129,969,342.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference to the Proxy Statement for the 2001 Annual Meeting of Shareholders, which will be filed by April 30, 2001.

Item 1. Business

Engelhard Corporation (which together with its Subsidiaries, is collectively referred to as the Company) was formed under the laws of Delaware in 1938 and became a public company in 1981. The Company's principal executive offices are located at 101 Wood Avenue, Iselin, NJ, 08830 (telephone number (732) 205-5000).

The Company develops, manufactures and markets technology-based performance products and engineered materials for a wide spectrum of industrial customers. It also provides services to precious and base-metal customers.

The Company employed approximately 6,420 people as of January 1, 2001 and operates on a worldwide basis with corporate, operating headquarters, principal manufacturing facilities and mineral reserves in the United States and other operations in the Asia-Pacific region, Canada, the European Community, the Russian Federation, South Africa and South America.

The Company's businesses are organized into four reportable segments - Environmental Technologies, Process Technologies, Appearance and Performance Technologies and Materials Services.

The following information on the Company is included in Note 16, "Business Segment and Geographic Area Data," of the Notes to Consolidated Financial Statements: net sales to external customers, special and other charges, operating earnings/(loss), net interest expense, depreciation, depletion and amortization, equity in earnings/ (losses) of affiliates, total assets, equity investments and capital expenditures.

ENVIRONMENTAL TECHNOLOGIES

The Environmental Technologies segment markets cost-effective compliance with environmental regulations enabled by sophisticated emission-control technologies and systems.

Environmental catalysts are used in applications such as the abatement of carbon monoxide, oxides of nitrogen and hydrocarbons emissions from gasoline, diesel and alternate-fueled vehicles. These catalysts also are used to remove odors, fumes and pollutants associated with a variety of process industries; co-generation and gas-turbine power generation; household appliances and lawn and garden power tools.

The Company also participates in the manufacture and supply of automotive emission-control catalysts through equity affiliates serving the Asia-Pacific region: N.E. Chemcat Corporation (Japan) - 38.8%-owned; and Heesung-Engelhard (South Korea) - 49%-owned, both of which also produce other catalysts and products. Results of N.E. Chemcat are included in the Company's All-Other segment, whereas results from Heesung-Engelhard are included in Environmental Technologies.

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The products of the Environmental Technologies segment compete in the marketplace on the basis of value performance and cost. No single competitor is dominant in the markets in which the Company operates.

The manufacturing operations of the Environmental Technologies segment are carried out in the United States, Germany, India, South Africa, South America, China, Thailand and the United Kingdom with equity investments located in the United States and South Korea. The products are sold principally through the Company's sales organizations or those of its equity investments, supplemented by independent distributors and representatives.

Principal raw materials used by the Environmental Technologies segment include precious metals, procured by the Materials Services segment, and a variety of minerals and chemicals that are generally readily available.

As of January 1, 2001, the Environmental Technologies segment had approximately 1,570 employees worldwide.

PROCESS TECHNOLOGIES

The Process Technologies segment enables customers to make their processes more productive, efficient, environmentally sound and safer through the supply of advanced chemical-and polymerization-process catalysts and sorbents. In addition, the segment's advanced cracking and hydroprocessing technologies enable petroleum refiners to more efficiently produce gasoline, transportation fuels and heating oils.

Process Technologies' chemical catalysts are used in the manufacture of a variety of products and intermediates made by chemical, petrochemical, pharmaceutical and agricultural-chemical producers. Petroleum catalysts are used by refiners to provide economies in petroleum processing and to meet increasingly stringent fuel-quality requirements. Polymerization catalysts are used in the production of polypropylene and polyethylene, which are used in a wide range of products, including food packaging, carpets, toys and automobile bumpers. Sorbents are used to purify and decolorize naturally occurring fats and oils for the manufacture of shortenings, margarines and cooking oils. The segment's catalyst products are based on the Company's proprietary technology and often are application-specific.

In September 2000, the Company acquired a polyolefin catalyst business located in Tarragona, Spain from Targor GmbH, a subsidiary of BASF AG, for approximately \$35 million. As part of the acquisition, the Company obtained a supply agreement to become the exclusive supplier of polyolefin catalysts to Novolen Technology Holdings C.V. See Note 3, "Acquisitions and Divestitures," for further detail.

The products of the Process Technologies segment compete in the marketplace on the basis of value performance and cost. No single competitor is dominant in the markets in which the Company operates.

The manufacturing operations of the segment are carried out in the United States, Italy, The Netherlands and Spain. The products are sold principally through the Company's sales organizations supplemented by independent distributors and representatives.

The principal raw materials used by the segment include metals, procured by the Materials Services segment and third parties; kaolin supplied by the Appearance and Performance Technologies segment; and a variety of other minerals and chemicals that are generally readily available.

As of January 1, 2001, the Process Technologies segment had approximately 1,750 employees worldwide. Most hourly employees are covered by collective bargaining agreements. Employee relations have generally been good.

APPEARANCE AND PERFORMANCE TECHNOLOGIES

The Appearance and Performance Technologies segment provides pigments and performance additives that enable its customers to market enhanced image and functionality in their products. The segment serves a broad array of end markets including coatings, plastics, cosmetics, construction and paper. The segment's products help customers improve the look, performance and overall cost of their products. This segment is also the internal supply source of precursors for the Company's petroleum catalysts.

The segment's principal products include special-effect pigments, color pigments and dispersions, paper pigments and extenders, specialty performance additives and iridescent and specialty films. The segment's pearlescent pigments provide a range of aesthetic, special effects in coatings, personal care and cosmetics products, packaging, plastics, inks and other applications. Color pigments include a broad range of organic and inorganic pigments, pigment dispersions and universal colorants that impart color and special effects to automotive finishes, coatings, plastics and inks. Paper pigments are used as coating and extender pigments to improve the opacity, brightness, gloss and printability of coated and uncoated papers. Specialty performance additives are used to improve the functionality, appearance and value of liquid and powder coatings, plastics, rubber, adhesives, inks, concrete and cosmetics. Iridescent and specialty films are used to visually enhance a variety of products in such applications as product packaging, labels, glitter, gift wrap and textiles.

The products of the Appearance and Performance Technologies segment compete on the basis of value performance and cost. No single competitor is dominant in the markets in which the Company competes.

Appearance and Performance Technologies manufacturing operations are carried out in the United States, South Korea and Finland. Subsidiary sales and distribution centers are located in France, Hong Kong, Japan, Mexico, The Netherlands, and Turkey. An equity investment located in the Ukraine was written off in 2000 (See Note 4, "Special and Other Charges", for further detail). Products are sold through the Company's sales organization supplemented by independent distributors and representatives.

The principal raw materials used by the Appearance and Performance Technologies segment include naturally occurring minerals such as kaolin, attapulgite and mica, which are mined from mineral reserves owned or leased by the Company, and a variety of other minerals and chemicals which are readily available.

As of January 1, 2001, the Appearance and Performance Technologies segment had approximately 2,305 employees worldwide. Most hourly employees are covered by collective bargaining agreements. Employee relations have generally been good.

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MATERIALS SERVICES

The Materials Services segment provides a full array of services to the Company's technology businesses and their customers who rely on certain precious and base metals as raw materials for their products. This is a distribution and materials services business that purchases and sells precious metals, base metals and related products and services. It does so under a variety of pricing and delivery arrangements structured to meet the logistical, financial and price-risk management requirements of the Company, its customers and suppliers. Additionally, it offers related services for precious-metal refining and produces salts and solutions.

The Materials Services segment is responsible for procuring precious and base metals to meet the requirements of the Company's operations and its customers. Supplies of newly mined platinum group metals are obtained primarily from South Africa and the Russian Federation, and to a lesser extent, from the United States and Canada, the only four regions that are known significant sources. Most of these platinum group metals are obtained pursuant to a number of contractual arrangements with different durations and terms. Gold and silver are purchased from various sources. In addition, in the normal course of business, certain customers and suppliers deposit significant quantities of precious metals with the Company under a variety of arrangements. Equivalent quantities of precious metals are returnable as product or in other forms.

Offices are located in the United States, Italy, Japan, the Russian Federation, Switzerland and the United Kingdom. As of January 1, 2001, the Materials Services segment had approximately 115 employees worldwide.

MAJOR CUSTOMERS

For the years ended December 31, 2000, 1999 and 1998, Ford Motor Company, a customer of the Environmental Technologies and Materials Services segments, accounted for more than 10% of the Company's net sales. Sales to this customer included both fabricated products and precious metals and were therefore significantly influenced by fluctuations in precious-metal prices as was the quantity and type of metal purchased. In such cases, market price fluctuations, quantities and types purchased can result in material variations in sales reported, but do not usually have a direct or significant effect on earnings.

RESEARCH AND PATENTS

The Company currently employs approximately 545 scientists, technicians and auxiliary personnel engaged in research and development in the fields of surface chemistry and material science. These activities are conducted in the United States and abroad. Research and development expenses were \$82.8 million in 2000, \$77.9 million in 1999 and \$69.8 million in 1998.

Research facilities include fully staffed instrument analysis laboratories that the Company maintains in order to achieve the high level of precision necessary for its technology businesses and to assist customers in understanding how Engelhard's products and services add value to their businesses.

The Company owns or is licensed under numerous patents secured over a period of years. It is the policy of the Company to normally apply for patents whenever it develops new products or processes considered to be commercially viable and, in appropriate circumstances, to seek licenses when such products or processes are developed by others. While the Company deems its various patents and licenses to be important to certain aspects of its operations, it does not consider any significant portion or its business as a whole to be materially dependent on patent protection.

ENVIRONMENTAL MATTERS

With the oversight of environmental agencies, the Company is currently preparing, has under review, or is implementing environmental investigations and cleanup plans at several currently or formerly owned and/or operated sites, including Plainville, Massachusetts and Salt Lake City, Utah. The Company is continuing to investigate contamination at Plainville under a 1993 agreement with the United States Environmental Protection Agency (EPA) and is awaiting approval of a decommissioning plan by the State of Massachusetts under authority delegated by the Nuclear Regulatory Commission. Investigation of the environmental status at the Salt Lake City site continues under a 1993 agreement with the Utah Solid and Hazardous Waste Control Board.

In addition, as of December 31, 2000, eleven sites have been identified at which the Company believes liability as a potentially responsible party (PRP) is probable under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or similar state laws (collectively referred to as Superfund) for the cleanup of contamination resulting from the historic disposal of hazardous substances allegedly generated by the Company, among others. Superfund imposes strict, joint and several liability under certain circumstances. In many cases, the dollar amount of the claim is unspecified and claims have been asserted against a number of other entities for the same relief sought from the Company. Based on existing information, the Company believes that it is a de minimis contributor of hazardous substances at a number of the sites referenced above. Subject to the reopening of existing settlement agreements for extraordinary circumstances or natural resource damages, the Company has settled a number of other cleanup proceedings. The Company has also responded to information requests from EPA and state regulatory authorities in connection with other Superfund sites.

The accruals for environmental cleanup-related costs recorded in the consolidated balance sheets at December 31, 2000 and 1999 were \$24.7 million and \$31.3 million, respectively, including \$0.6 million and \$0.8 million, respectively, for Superfund sites. These amounts represent those costs that the Company believes are probable and reasonably estimable. Based on currently available information and analysis, the Company's accrual represents approximately 46% of what it believes are the reasonably possible environmental cleanup-related costs of a noncapital nature. The estimate of reasonably possible costs is less certain than the probable estimate upon which the accrual is based.

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Cash payments for environmental cleanup-related matters were \$1.7 million, \$2.4 million and \$4.1 million for 2000, 1999 and 1998, respectively. The amounts accrued in connection with environmental cleanup-related matters were not significant over this time period.

For the past three-year period, environmental-related capital projects have averaged less than 10% of the Company's total capital expenditure programs, and the expense of environmental compliance (e.g. environmental testing, permits, consultants and in-house staff) was not material.

There can be no assurances that environmental laws and regulations will not become more stringent in the future or that the Company will not incur significant costs in the future to comply with such laws and regulations. Based on existing information and currently enacted environmental laws and regulations, cash payments for environmental cleanup-related matters are projected to be \$5.8 million for 2001, which has already been accrued. Further, the Company anticipates that the amounts of capitalized environmental projects and the expense of environmental compliance will approximate current levels. While it is not possible to predict with certainty, Management believes that environmental cleanup-related reserves at December 31, 2000 are reasonable and adequate, and environmental matters are not expected to have a material adverse effect on financial condition. These matters, if resolved in a manner different from the estimates, could have a material adverse effect on the Company's operating results or cash flows.

Item 2. Properties

The Company leases a building on approximately seven acres of land with a combined area of approximately 271,000 square feet in Iselin, NJ. This building serves as the principal executive and administrative office of the Company and its operating segments. The Company owns approximately 15 acres of land and three buildings with a combined area of approximately 150,000 square feet in Iselin, NJ. These buildings serve as the major research and development facilities for the Company's operations. The Company also owns research facilities in Gordon, GA; Union, NJ; Buchanan and Ossining, NY; Beachwood, OH; Pasadena, TX; Hannover, Germany and DeMeern, The Netherlands.

The Environmental Technologies segment owns and operates plants in Huntsville, AL; East Windsor, CT; Daytona and Deerfield Beach, FL; Wilmington, MA; Hiram, OH; Duncan, SC; Newark, NJ; Nienburg, Germany; Madras, India; Port Elizabeth, South Africa; Indiatuba, Brazil; Shanghai, China; Rayoung, Thailand and Coleford and Cinderford in the United Kingdom.

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The Process Technologies segment owns and operates plants in Attapulgis and Savannah, GA; Elyria, OH; Erie, PA; Seneca, SC; Pasadena, TX; Rome, Italy; DeMeern, The Netherlands; and Tarragona, Spain.

The Appearance and Performance Technologies segment owns and operates attapulgitic processing plants in Quincy, FL near the area containing its attapulgitic reserves, plus a mica mine and processing facilities in Hartwell, GA. In addition, the segment owns and operates five kaolin mines and five milling facilities in Middle Georgia, which serve an 85-mile network of pipelines to three processing plants. It also owns land containing kaolin and leases on a long-term basis kaolin mineral rights to additional acreage. The segment also owns sales and manufacturing facilities in Helsinki, Kotka; Rauma, Finland and Tokyo, Japan, in addition to owning and operating color, pearlescent pigment and film manufacturing facilities in Sylmar, CA; Louisville, KY; Eastport, ME; Peekskill, NY; Elyria, OH; Charleston, SC; and Inchon, South Korea. Management believes the Company's attapulgitic and mica reserves will be sufficient to meet its needs for the foreseeable future.

The Materials Services segment's operations are conducted at leased facilities in Iselin and Carteret, NJ; Lincoln Park, MI; Tokyo, Japan; Moscow, Russia; Zug, Switzerland; and London, United Kingdom. In addition, the segment's operations are conducted at owned facilities in Seneca, SC and Rome, Italy.

Management believes that the Company's processing and refining facilities, plants and mills are suitable and have sufficient capacity to meet its normal operating requirements for the foreseeable future.

Item 3. Legal Proceedings

Various lawsuits, claims and proceedings are pending against the Company.

The Company is one of a number of defendants in numerous proceedings that allege that the plaintiffs contracted cancer and/or suffered other injuries from exposure to "toxic" substances purportedly supplied by the Company and other defendants. The Company is also subject to a number of environmental contingencies (see Note 18, "Environmental Costs," for further detail) and is a defendant in a number of lawsuits covering a wide range of other matters. In some of these matters, the remedies sought or damages claimed are substantial. While it is not possible to predict with certainty the ultimate outcome of these lawsuits or the resolution of the environmental contingencies, Management believes, after consultation with counsel, that resolution of these matters is not expected to have a material adverse effect on financial condition. These matters, if resolved in a manner different from Management's current expectations, could have a material adverse effect on the Company's operating results or cash flows.

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In 1998, Management learned that Engelhard and several other companies operating in Japan had been victims of a fraudulent scheme involving base-metal inventory held in third-party warehouses in Japan. The inventory loss was approximately \$40 million in 1997 and \$20 million in 1998. The Company is vigorously pursuing various recovery actions. These actions include negotiations with the various third parties involved and, in several instances, the commencement of litigation. In the first quarter of 1998, Engelhard recorded a receivable from the insurance carriers and third parties for approximately \$20 million. This amount represents Management's and counsel's best estimate of the minimum probable recovery from the various insurance policies and other parties involved in the fraudulent scheme.

The Company is involved in a value-added tax dispute in Peru. Management believes the Company was targeted by corrupt officials within the former Peruvian Government. On December 2, 1999, Engelhard Peru, S.A., a wholly owned subsidiary, was denied refund claims of approximately \$28 million. The Peruvian tax authority also determined that Engelhard Peru, S.A. is liable for approximately \$63 million in refunds previously paid, fines and interest as of December 31, 1999. Interest and fines continue to accrue at rates established by Peruvian law. Engelhard Peru, S.A. is contesting these determinations vigorously, and Management believes, based on consultation with counsel, that Engelhard Peru, S.A. is entitled to all refunds claimed and is not liable for these additional taxes, fines or interest. In late October 2000, a criminal proceeding alleging tax fraud and forgery related to this value-added tax dispute was initiated against two Lima-based officials of Engelhard Peru, S.A. Although Engelhard Peru, S.A. is not a defendant, it may be civilly liable for criminal conduct of its representatives and Engelhard Peru is assisting in the vigorous defense of this proceeding. Management believes the maximum economic exposure is limited to the aggregate value of all assets of Engelhard Peru, S.A., including unpaid refunds, which is approximately \$30 million.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity
 and Related Stockholder Matters

As of March 23, 2001, there were 5,857 holders of record of the Company's common stock, which is traded on the New York Stock Exchange (ticker symbol "EC"), as well as on the London and Swiss stock exchanges.

The range of market prices and cash dividends for each quarterly period were as follows:

	NYSE Market Price		Cash dividends per share
	High	Low	
	-----	-----	-----
2000			
First quarter	\$19.19	\$12.56	\$0.10
Second quarter	19.00	14.31	0.10
Third quarter	19.75	15.06	0.10
Fourth quarter	21.50	16.00	0.10
1999			
First quarter	\$20.81	\$16.50	\$0.10
Second quarter	23.69	16.25	0.10
Third quarter	23.00	18.19	0.10
Fourth quarter	19.25	16.31	0.10

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Item 6. Selected Financial Data

Selected Financial Data
(\$ in millions, except per share amounts)

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>
OPERATING RESULTS	2000	1999	1998	1997	1996
-----	----	----	----	----	----
OPERATING RESULTS					
Net sales	\$5,542.6	\$4,488.0	\$4,246.6	\$3,716.8	\$3,274.0
Net earnings(1)	168.3	197.5	187.1	47.8	150.4
Basic earnings per share	1.33	1.49	1.30	0.33	1.05
Diluted earnings per share	1.31	1.47	1.29	0.33	1.03
Total assets	3,166.8	2,920.5	2,866.3	2,586.3	2,490.5
Long-term debt	248.6	499.5	497.4	373.6	375.1
Shareholders' equity	874.6	764.4	901.6	785.3	833.2
Cash dividends paid per share	0.40	0.40	0.40	0.38	0.36
Return on average shareholders' equity	20.5%	23.7%	22.2%	5.9%	19.2%

Unless otherwise indicated, all per-share amounts are presented as diluted earnings per share, as calculated under SFAS No. 128, "Earnings Per Share".

(1) Results in 2000 include the following: fourth-quarter special and other charges of \$75.1 million (\$0.59 per share) for a variety of events (see Note 4, "Special and Other Charges," for further detail), a third-quarter impairment charge of \$16.9 million (\$0.13 per share) related to the write-down of goodwill and fixed assets of the Company's HexCore business unit, net gains of \$12.9 million (\$0.10 per share) on sales of investments and land, a gain of \$2.5 million (\$0.02 per share) on the sale of inventory accounted for under the LIFO method and a gain of \$4.4 million (\$0.03 per share) related to the partial liquidation of precious metal inventories of Engelhard-CLAL, a precious-metal-fabrication joint venture.

Results in 1999 include net gains of \$6.0 million (\$0.04 per share) on sales of investments and land, a gain of \$2.2 million (\$0.02 per share) on the sale of inventory accounted for under the LIFO method and a gain of \$1.3 million (\$0.01 per share) related to the partial liquidation of precious metal inventories of Engelhard-CLAL.

Results in 1998 include a gain of \$4.9 million (\$0.03 per share) on the sale of inventory accounted for under the LIFO method.

Results in 1997 include special and other charges of \$117.7 million (\$0.81 per share) for a variety of events (including restructuring actions and a loss from the base-metal fraud in Japan). In addition, 1997 results include a gain of \$2.0 million (\$0.01 per share) on the sale of inventory accounted for under the LIFO method.

Results in 1996 include a gain of \$3.3 million (0.02 per share) on the sale of inventory accounted for under the LIFO method.

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Management's Discussion and Analysis
Item 7. of Financial Condition and Results of Operations

Unless otherwise indicated, all per-share amounts are presented as diluted earnings per share, as calculated under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share."

RESULTS OF OPERATIONS

Net earnings of \$168.3 million (\$1.31 per share) in 2000 include fourth-quarter special and other charges of \$75.1 million (\$0.59 per share) for a variety of events (see Note 4, "Special and Other Charges" for further detail), a third-quarter impairment charge of \$16.9 million (\$0.13 per share) relating to HexCore and net gains on asset sales of \$12.9 million (\$0.10 per share - see "Gain on Sale of Investments and Land, Net" section on page 20 for further detail). Excluding these items, the Company would have reported net earnings of \$247.4 million and diluted earnings per share of \$1.93 in 2000.

Net earnings of \$197.5 million (\$1.47 per share) in 1999 include net gains on asset sales of \$6.0 million (\$0.04 per share - see "Gain on Sale of Investments and Land, Net" section on page 20 for further detail). Excluding these net gains, the Company would have reported net earnings of \$191.5 million and diluted earnings per share of \$1.43 in 1999.

The information in the discussion of each segment's results is derived from that segment's internal financial reporting system used for Management purposes. Items allocated to each segment's results include the majority of corporate overhead charges. Unallocated items include net interest expense, royalty income, sale of inventory accounted for under the last-in, first-out (LIFO) method, certain special and other charges and other miscellaneous corporate items.

In the fourth quarter of 2000, the Company created a new technology segment called Appearance and Performance Technologies by combining the former Specialty Pigments and Additives and Paper Pigments and Additives segments. In addition, the Materials Services segment was created from the former Industrial Commodities Management segment. Certain historical segment data has been reclassified to conform with these internal organizational changes.

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ENVIRONMENTAL TECHNOLOGIES

The Environmental Technologies segment markets cost-effective compliance with environmental regulations enabled by sophisticated emission-control technologies and systems.

2000 Performance

Sales increased 9% to \$636.7 million, and operating earnings increased 29% to \$131.8 million excluding the impact of special and other charges of \$15.4 million. Operating earnings increased 14% including the impact of these charges.

Discussion (before the impact of special and other charges)

The majority of this segment's sales and operating earnings are derived from technologies designed to control pollution from mobile sources, including gasoline- and diesel-powered passenger cars, sport-utility vehicles, trucks, buses and off-road vehicles. Sales and earnings increased primarily from higher volumes of auto-emission catalysts in North America, as the business benefited from increased volumes with General Motors and Nissan. Earnings benefited from lower manufacturing costs and the elimination of losses from the segment's sensor technologies business sold in February 2000. These earnings increases were partially offset by costs related to the start-up of new manufacturing facilities in Brazil and China and expansion of a facility in India.

Sales and earnings derived from the segment's non-automotive markets increased due to continued high demand for emission-control systems for gas turbines and heavy-duty diesel-engine retrofits for bus fleets. These increases were partly offset by the absence of three months' results from the segment's metal-joining products business sold in September 2000. Earnings from these non-automotive markets were also partially offset by higher research and administrative costs.

Outlook

This segment expects growth in sales and operating earnings to continue as emission-control regulations become stricter around the world and address a much broader range of emission sources. Demand from the automotive market is expected to increase in response to the Company's development of several new technologies. Demand also is expected to accelerate from the diesel-bus retrofit market. Programs are underway in Paris, London, Hong Kong, the state of California and a number of other cities.

Sales of advanced catalysts for medium-and heavy-duty diesel trucks are expected to expand beginning in the second half of 2003 as new regulations begin to take effect. The Company expects sales to start in the second half of 2003 for engines going into the California market. The European light-duty diesel passenger vehicle segment is growing at a greater rate than the gasoline segment, thus creating an opportunity to expand the segment's market position. The medium-and heavy-duty engine sectors are to have new U.S. regulations beginning in 2004.

The segment also anticipates continued growth from non-mobile applications of its technology driven by increased demand for power generation and the need to comply with emission-reduction regulations.

The segment's joint venture in Thailand (ECTL), which is a partnership with its N.E. Chemcat joint venture in Japan, has completed construction of a new plant and will commence shipments in the second half of 2001.

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1999 compared with 1998

Sales increased 6% to \$584.8 million, and operating earnings increased 15% to \$102.4 million.

Sales and operating earnings increases were primarily driven by strength in auto-emission catalysts for North America and a surge in volume of diesel-engine retrofit kits. These increases were partly offset by costs related to the start-up of new manufacturing plants in India and Brazil. Operating earnings also were favorably impacted by reduced material costs resulting from supply-chain management initiatives.

PROCESS TECHNOLOGIES

The Process Technologies segment enables customers to make their processes more productive, efficient, environmentally sound and safer through the supply of advanced chemical-and polymerization-process catalysts and sorbents. In addition, the segment's advanced cracking and hydroprocessing technologies enable petroleum refiners to more efficiently produce gasoline, transportation fuels and heating oils.

2000 Performance

Sales increased 9% to \$566.6 million, and operating earnings increased 6% to \$86.5 million excluding the impact of special and other charges of \$5.5 million. Operating earnings decreased 1% including the impact of these charges.

Discussion (before the impact of special and other charges)

Earnings growth from petroleum and polypropylene catalysts was offset by a slight decline in earnings from chemical catalysts.

The increase in earnings from catalyst sales to the petroleum market was primarily due to increased volumes of fluid cracking catalysts and reduced costs from supply-chain management initiatives and productivity improvements. These increases were partly offset by higher energy costs. Earnings from polypropylene catalysts increased primarily from the continued strong demand for Lynx 1000 polypropylene catalysts and the inclusion of results from the polyolefin catalyst business of Targor GmbH, acquired in September 2000. Lynx 1000 catalysts are used to produce polypropylene, which is used in a wide range of products, including car battery cases, carpets, toys and automobile bumpers.

Earnings from catalyst sales to chemical-processing markets were down slightly primarily due to higher raw material costs and an unfavorable foreign currency translation.

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Outlook

Sales and earnings growth in this segment is expected to come from custom process catalysts, high value-add petroleum refining catalysts, increased market penetration for polypropylene catalysts and a favorable comparison from the full-year inclusion of results of the acquired Targor polyolefin catalyst business. Additional growth is expected from continued cost management, productivity improvements and product technology advances. New capacity for polypropylene catalysts was added in 2000.

Overall weakness in the chemical industry, significantly higher energy and raw material costs and relatively flat demand for petroleum cracking catalysts are expected to continue for most of 2001. In the petroleum refining industry, consolidations and more efficient refining operations are the primary drivers influencing cracking catalyst demand. The segment will continue to aggressively manage costs and emphasize high-value products and services. Included in the segment's new product offerings are catalysts capable of significantly improving petroleum refining yields.

1999 compared with 1998

Sales increased 3% to \$521.8 million, and operating earnings increased 12% to \$81.9 million.

Sales growth was due to the full-year inclusion of results from the catalyst businesses of Mallinckrodt Inc., acquired in May 1998. Excluding these results, net sales for the segment would have declined slightly, primarily due to lower demand for petrochemical catalysts and petroleum cracking catalysts. Reduced costs from supply-chain management initiatives and productivity improvements were the primary drivers of operating earnings growth.

APPEARANCE AND PERFORMANCE TECHNOLOGIES

The Appearance and Performance Technologies segment provides pigments and performance additives that enable its customers to market enhanced image and functionality in their products. The segment serves a broad array of end markets including coatings, plastics, cosmetics, construction and paper. The segment's products help customers improve the look, performance and overall cost of their products. This segment is also the internal supply source of precursors for the Company's petroleum catalysts.

2000 Performance

Sales increased 1% to \$684.4 million, and operating earnings decreased 8% to \$80.2 million excluding the impact of special and other charges of \$49.7 million. Operating earnings decreased 65% including the impact of these charges.

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Discussion (before the impact of special and other charges)

Earnings declined as increased profits, driven by higher sales volumes from special-effect pigments, were more than offset by declines from pigments sold to the paper market. In spite of slightly higher volumes, earnings from the paper market declined as a result of significantly higher energy costs and lower selling prices.

Overall segment performance reflected the benefit of supply-chain management initiatives and productivity improvements.

Outlook

Sales growth is expected to continue from both established and new product offerings. New offerings include: Lumina (trademark) colors, a new generation of mica-based special effect pigments for automotive coatings; Scintillating Silver (trademark) bright metallic-silver pigments for nail enamels; ShimmerSilk (trademark) high-strength film for textile use; an array of rightfitted organic pigments for use in plastics applications; and Mirafilm (trademark) and Mirana (trademark) engineered pigments for paper. No growth is expected in the segment's paper markets.

In addition, the segment will continue efforts to improve productivity, control operating and manufacturing costs in spite of expected continued higher energy costs and pursue benefits from supply-chain initiatives. The segment also plans to shift productive resources to markets that offer the highest value.

1999 compared with 1998

Sales increased 3% to \$675.3 million, and operating earnings increased 12% to \$86.9 million.

Strong worldwide demand, including a rebound in the Asia-Pacific region, drove sales increases for several of the segment's major product lines, including effect pigments, specialty kaolin-based products and iridescent films. The cosmetics, industrial, agricultural, construction, coatings and decorative markets all contributed to the growth. These sales increases were partially offset by decreased sales of color pigments, which resulted from product-supply issues associated with the start-up of a new manufacturing process, and lower sales for the paper markets.

Operating earnings increased driven by record-level sales growth in most market segments, combined with savings from supply-chain management initiatives and productivity improvements. Operating earnings were negatively impacted by depressed pricing and a less favorable product mix for the paper market.

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MATERIALS SERVICES

The Materials Services segment provides a full array of services to the Company's technology businesses and their customers who rely on certain precious and base metals as raw materials for their products. This is a distribution and materials services business that purchases and sells precious metals, base metals and related products and services. It does so under a variety of pricing and delivery arrangements structured to meet the logistical, financial and price-risk management requirements of the Company, its customers and suppliers. Additionally, it offers related services for precious-metal refining and produces salts and solutions.

2000 Performance

Sales increased 39% to \$3.6 billion, and operating earnings increased 226% to \$129.3 million.

Discussion

Sales for this segment include substantially all of the Company's sales of metals to industrial customers of all segments. Sales also include fees invoiced for services rendered (e.g. refining and handling charges) plus the metal content of refineables purchased and immediately hedged. Because of the logistical and hedging nature of much of this business and the significant precious metal values included in both sales and cost of sales, gross margins tend to be low in relation to the Company's other manufacturing businesses as does capital employed. This effect will also dampen the gross margin percentages of the Company as a whole, but improves the return on investment.

While most customers for the Company's platinum-group-metal catalysts purchase the metal from Materials Services, some choose to deliver metal from other sources prior to the manufacture of the catalysts. In such cases, precious metal values are not included in sales. The mix of such arrangements and the extent of market price fluctuations can significantly affect the reported level of sales and cost of sales, but there is no direct correlation between year-to-year changes in reported sales and operating earnings.

The sales increase for the year resulted primarily from higher platinum-group-metals prices and continued strong industrial demand for these metals. Operating earnings increased significantly due to a combination of higher volumes, prices and price volatility for all platinum group metals, as well as growth in the recycling (refining) of these metals. Volatility not only increases the spreads on transactions, but also provides opportunities to benefit from strong and prudent physical positions (see the "Commodity Price Risk" section on page 23 for further details).

Outlook

While a sustainable level of base business is anticipated, market volatility cannot be assured. The benefits of such volatility represent an opportunity for this segment above its sustainable base business. The results of this segment are much more likely to approximate the levels produced in 1998 and 1999 rather than the exceptional results reported in 2000.

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1999 compared with 1998

Sales increased 11% to \$2.6 billion, and operating earnings decreased 18% to \$39.6 million.

Sales increased primarily from higher volumes as well as higher palladium and rhodium prices. Operating earnings decreased due to significantly lower volatility in platinum group metals during the first half of 1999 as compared with high volatility in 1998. Variability of shipments from Russia contributed to high volatility in 1998.

Acquisitions

<TABLE>

<CAPTION>

Other Party	Business Arrangement	Transaction Date	Business Opportunity
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<S>	<C>	<C>	<C>
Targor GmbH	Acquired the polyolefin catalyst business for \$35 million	September 2000	Expansion of catalyst business
ISP	Acquired the bismuth product line for \$11.5 million	March 1999	Expansion of effect pigments for cosmetics
Mallinckrodt Inc.	Acquired the chemical catalyst businesses (Mallinckrodt businesses) for \$210 million	May 1998	Expansion of catalyst business
Semo Chemical Company	Acquired the pearlescent pigments business for \$13.5 million	January 1998	Asian expansion into effect pigments markets

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CONSOLIDATED GROSS PROFIT

Gross profit as a percentage of sales was 13.2% in 2000, compared with 14.4% in 1999 and 15.3% in 1998. Excluding the impact of special and other charges of \$27.1 million in 2000, gross profit as a percentage of sales was 13.7% in 2000. The decrease was driven by the relatively lower margins earned on metal sales by the Materials Services segment. Sales from this segment increased 39% in 2000 to \$3.6 billion and provided a gross profit of 5%, while 2000 sales from the other reportable segments increased 6% and provided a gross profit of 29%. Excluding the impact of special and other charges of \$27.1 million in 2000, the other reportable segments provided a gross profit of 30% in 2000. As described earlier, the lower margins on Materials Services sales are driven by the inclusion of the value of precious metals in both sales and cost of sales.

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SELLING, ADMINISTRATIVE AND OTHER EXPENSES

Selling, administrative and other expenses were \$382.3 million in 2000, compared with \$328.2 million in 1999 and \$340.6 million in 1998. The 2000 amount includes \$23.8 million in special and other charges, and the 1998 amount reflects the acquisition of the Mallinckrodt businesses in May 1998.

EQUITY EARNINGS

Equity in earnings of affiliates was \$24.2 million in 2000, compared with equity earnings of \$16.3 million in 1999 and \$10.1 million in 1998. The earnings in 2000 reflect special and other charges of \$0.8 million related to the write-off of the Company's investment in its Dnipro Kaolin 50%-owned joint venture. The increase in 2000 was primarily due to higher equity earnings from Engelhard-CLAL, a 50%-owned precious-metal-fabrication joint venture. The Company's share of earnings from Engelhard-CLAL included a gain of \$6.7 million related to the partial liquidation of precious metal inventories as the joint venture is in the process of selling off business units. Higher equity earnings were also reported for Heesung-Engelhard, a 49% Korean-owned environmental catalyst joint venture. The increase in 1999 was primarily due to higher earnings from Heesung-Engelhard; higher equity earnings from N.E. Chemcat Corporation, a 38.8%-owned, publicly traded Japanese corporation that is a leading producer of automotive and chemical catalysts; and the absence of losses from Acreon Catalysts, a hydroprocessing joint venture sold in the first quarter of 1999.

GAIN ON SALE OF INVESTMENTS AND LAND, NET

In the first quarter of 2000, the Company recorded a loss of \$6.0 million (\$4.1 million after tax or \$0.03 per share) associated with the divestiture of the International Dioxide, Inc. (IDI) business unit.

In the third quarter of 2000, the Company sold its metal-joining products business located in Warwick, Rhode Island and recorded a gain of \$24.8 million (\$17.0 million after tax or \$0.13 per share).

In the first quarter of 1999, the Company sold its investment in Acreon Catalysts, a hydroprocessing joint venture. The Company recorded a gain of \$1.0 million (\$0.7 million after tax or less than \$0.01 per share).

In the second quarter of 1999, the Company sold its metal-plating business and recorded a gain of \$9.3 million (\$6.5 million after tax or \$0.05 per share). In addition, the Company reduced the carrying value of its investment in Engelhard Highland Private Ltd., an India-based venture, to its estimated net realizable value of \$1.0 million. Accordingly, the Company recorded a loss of \$4.6 million (\$3.2 million after tax or \$0.02 per share).

In the third quarter of 1999, the Company sold its Mearlcrete concrete foaming agent business. The Company recorded a gain of \$1.1 million (\$0.7 million after tax or less than \$0.01 per share). In addition, the Company sold land and certain mineral rights located in Talladega County, Alabama. The Company recorded a gain of \$1.8 million (\$1.3 million after tax or \$0.01 per share).

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INTEREST

Net interest expense was \$62.6 million in 2000, compared with \$56.6 million in 1999 and \$58.9 million in 1998. Net interest expense in 1999 included a reduction of \$7.1 million resulting from the settlement of treasury lock positions that were entered into to hedge anticipated long-term borrowings that never occurred. Excluding this reduction from 1999, net interest expense in 2000 decreased due to decreased borrowings, partially offset by increased interest rates; exclusive of the reduction from treasury locks, net interest expense in 1999 increased from 1998 levels primarily due to increased borrowings related to a major share repurchase in May 1999 and an increase in interest rates.

The Company capitalized interest of \$3.9 million in 2000, \$2.6 million in 1999 and \$1.9 million in 1998.

Interest income was \$2.1 million in 2000, \$2.9 million in 1999 and \$2.3 million in 1998.

TAXES

The worldwide income tax expense was \$77.4 million in 2000, compared with \$86.7 million in 1999 and \$73.5 million in 1998. The effective income tax rate was 31.5% in 2000, 30.5% in 1999 and 28.2% in 1998.

The increase in the worldwide effective tax rate in 2000 primarily resulted from the Company's mix of income in jurisdictions with higher tax rates and the mix of income from businesses with fewer tax benefits. The 1998 worldwide effective tax rate reflected the reversal of certain valuation allowances established against deferred tax assets arising from special charges recorded in 1997.

FINANCIAL CONDITION AND LIQUIDITY

The working capital deficit was \$85.0 million at December 31, 2000, compared with a deficit of \$67.5 million at December 31, 1999. The current ratio was 1.0 in 2000 and 1999. The year-end market value of the Company's precious-metal inventories accounted for under the LIFO method exceeded carrying cost by \$254.1 million at December 31, 2000, compared with \$115.3 million at December 31, 1999. The increase in excess value reflects higher market values that more than offset the impact of slightly reduced inventory volumes (see Note 5, "Inventories" for further detail).

The Company's total debt decreased to \$750.7 million at December 31, 2000 from \$951.5 million at December 31, 1999. The ratio of total debt to total capital decreased to 46% at December 31, 2000 from 55% at December 31, 1999, primarily due to decreased long-term borrowings and increased retained earnings.

The Company currently has a \$600 million, five-year committed credit facility and a \$200 million, one-year committed credit facility with a group of major U.S. and overseas banks. Additional unused, uncommitted lines of credit exceeded \$680 million at December 31, 2000.

In July 1998, the Company filed a shelf registration for \$300 million. Plans to issue debt under the shelf registration are under consideration by Management.

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Operating activities provided net cash of \$180.1 million in 2000 compared with \$349.0 million in 1999 and \$176.7 million in 1998. The variance in cash flows from operating activities primarily occurred in the Materials Services segment and reflects changes in metal positions used to facilitate requirements of the Company, its metals customers and suppliers. Materials Services routinely enters into a variety of arrangements for the sourcing of metals. Generally, all such transactions are hedged on a daily basis (see Note 1, "Summary of Significant Accounting Policies"). Hedging is accomplished primarily through forward, future and option contracts. Hedged metal obligations (primarily amounts payable for metal purchased forward as an economic hedge) are considered financing activities and are included in that section of the Company's "Consolidated Statements of Cash Flows." These transactions generally cover Materials Services sourcing requirements. Materials Services works to ensure that the Company and its customers have an uninterrupted source of metals, primarily platinum group metals, utilizing supply contracts and commodities markets around the world. Cash flows from operating activities in 2000 were also negatively impacted by higher receivables related to increased prices of platinum group metals.

The cash provided from operations other than the change in metal-related assets and liabilities exceeded \$245 million in 2000, 1999 and 1998.

The variance in cash flows from investing activities is primarily due to proceeds received from the sale of the Company's metal-joining products business in September 2000, the acquisition of the Targor polyolefin catalyst business in September 2000, proceeds received from the sale and leaseback of the Company's principal executive and administrative offices in December 1998 and the acquisition of the Mallinckrodt businesses in May 1998.

The variance in cash flows from financing activities was impacted by the repayment of long-term debt in the third quarter of 2000 and increased short-term borrowings in 1999 to fund a major share repurchase.

Management believes that existing sources of capital, together with cash flows from operations, will be sufficient to meet foreseeable cash flow requirements.

MARKET-RISK SENSITIVE TRANSACTIONS

The Company is exposed to market risks arising from adverse changes in interest rates, foreign currency exchange rates and commodity prices. In the normal course of business, the Company uses a variety of techniques and instruments, including derivatives, as part of its overall risk management strategy. The Company enters into derivative agreements with a diverse group of major financial and other institutions with individually determined credit limits to reduce exposure to the risk of nonperformance by counterparties.

INTEREST RATE RISK

The Company uses sensitivity analysis to assess the market risk of its debt-related financial instruments and derivatives. Market risk is defined here as the potential change in the fair value of debt resulting from an adverse movement in interest rates. The fair value of the Company's total debt was \$739.9 million at December 31, 2000 and \$931.0 million at December 31, 1999 based on average market quotations of price and yields provided by investment banks. A 100 basis-point increase in interest rates could result in a reduction in the fair value of total debt of \$17.3 million at December 31, 2000 compared with \$21.8 million at December 31, 1999.

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Also, the Company uses interest-rate derivatives to help achieve its fixed and floating rate debt objectives. In 2000, the Company did not enter into any interest rate derivative agreements. During 1999, the Company entered into two forward treasury lock agreements with a total notional value of \$100 million, which were settled in September and October of 1999. As of December 31, 1998, the Company had two forward treasury lock agreements with a total notional value of \$100 million, both of which were settled in March 1999.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company uses a variety of strategies, including foreign currency forward contracts, to minimize or eliminate foreign currency exchange rate risk associated with substantially all of its foreign currency transactions, including metal-related transactions denominated in other than U.S. dollars. In selected circumstances, the Company may enter into foreign currency forward contracts to hedge the U.S. dollar value of its foreign investments.

The Company uses sensitivity analysis to assess the market risk associated with its foreign currency transactions. Market risk is defined here as the potential change in fair value resulting from an adverse movement in foreign currency exchange rates. A 10% adverse movement in foreign currency rates could result in a net loss of \$23.6 million at December 31, 2000 compared with \$9.1 million at December 31, 1999 on the Company's foreign currency forward contracts. However, since the Company limits the use of foreign currency derivatives to the hedging of contractual foreign currency payables and receivables, this loss in fair value for those instruments generally would be offset by a gain in the value of the underlying payable or receivable.

A 10% adverse movement in foreign currency rates could result in an unrealized loss of \$103.6 million at December 31, 2000 compared with \$79.4 million at December 31, 1999 on the Company's net investment in foreign subsidiaries and affiliates. However, since the Company views these investments as long term (except for Engelhard-CLAL as the Company is in the process of liquidating all or part of its investment in this joint venture), the Company would not expect such a loss to be realized in the near term.

COMMODITY PRICE RISK

In closely monitored situations, for which exposure levels and transaction size limits have been set by senior management, the Company from time to time holds large, unhedged industrial commodity positions that are subject to future market fluctuations. Such positions may include varying levels of derivative commodity instruments. All unhedged industrial commodity transactions are monitored and marked-to-market daily, as necessary. All other industrial commodity transactions are hedged on a daily basis, using forward, future, option or swap contracts to substantially eliminate the exposure to price risk.

The Company has performed a "value-at-risk" analysis on all of its commodity assets and liabilities. The "value-at-risk" calculation is a statistical model that uses historical price and volatility data to predict market risk on a one-day interval with a 95% confidence level. While the "value-at-risk" models are relatively sophisticated, the quantitative information generated is limited by the historical information used in the calculation. For example, the volatility in the platinum and palladium markets in 2000 and 1999 was greater than historical norms. Therefore, the Company uses this model only as a supplement to other risk management tools and not as a substitute for the experience and judgment of senior management and dealers who have extensive knowledge of the markets and adjust positions and revise strategies as the markets change. Based on the "value-at-risk" analysis, the maximum potential one-day loss in fair value was approximately \$4.8 million as of December 31, 2000 compared with \$3.9 million as of December 31, 1999.

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CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENCIES

Capital projects are designed to maintain capacity, expand operations, improve efficiency or protect the environment. Capital expenditures amounted to \$136.6 million in 2000, \$102.0 million in 1999 and \$116.5 million in 1998. Capital expenditures in 2001 are expected to be approximately \$165 million. For information about commitments and contingencies, see Note 18, "Environmental Costs" and Note 19, "Litigation and Contingencies."

DIVIDENDS AND CAPITAL STOCK

The annualized common stock dividend rate at the end of 2000, 1999 and 1998 was \$0.40 per share.

JAPAN FRAUD UPDATE/PERU UPDATE

See Note 19, "Litigation and Contingencies," for a discussion of Japan and Peru.

SPECIAL AND OTHER CHARGES

See Note 4, "Special and Other Charges," for a discussion of the Company's special and other charges.

OTHER MATTERS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 delayed the required adoption of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)." These standards require that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in earnings or comprehensive income, depending on the designation of the derivative.

Adoption of these statements in the first quarter of 2001 did not have a material effect on the Company's results of operations, financial position, cash flows or equity. The Company does not expect them to have a material effect on results of operations, financial position, cash flows or equity.

While the Company engages in economic hedging of metal positions, it does not plan to avail itself of the hedge accounting provisions of the new statements. Accordingly, present accounting policies are relatively unchanged by the new statements.

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties that may cause Engelhard's actual future activities and results of operations to be materially different from those suggested or described in this document.

These risks include: competitive pricing or product development activities; Engelhard's ability to achieve and execute internal business plans; global economic trends; worldwide political instability and economic growth; markets, alliances and geographic expansions developing differently than anticipated; fluctuations in the supply and prices of precious and base metals; government legislation and/or regulation (particularly on environmental issues); technology, manufacturing and legal issues; and the impact of any economic downturns and inflation. Investors are cautioned not to place undue reliance upon these forward-looking statements, which speak only as of their dates. Engelhard disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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ENGELHARD CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>

<S>	<C>	<C>	<C>
Year ended December 31 (in thousands, except per-share amounts)	2000	1999	1998
Net sales	\$ 5,542,648	\$ 4,488,007	\$ 4,246,638
Cost of sales	4,812,450	3,843,950	3,596,709
Gross profit	730,198	644,057	649,929
Selling, administrative and other expenses	382,287	328,242	340,556
Special charge	82,548	-	-
Operating earnings	265,363	315,815	309,373
Equity in earnings of affiliates	24,187	16,266	10,077
Gain on sale of investments and land, net	18,786	8,592	-
Interest expense, net	(62,649)	(56,555)	(58,887)
Earnings before income taxes	245,687	284,118	260,563
Income tax expense	77,391	86,656	73,479
Net earnings	\$ 168,296	\$ 197,462	\$ 187,084
Basic earnings per share	\$ 1.33	\$ 1.49	\$ 1.30
Diluted earnings per share	\$ 1.31	\$ 1.47	\$ 1.29
Average number of shares outstanding - basic	126,351	132,432	144,157
Average number of shares outstanding - diluted	128,141	134,590	145,366

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

ENGELHARD CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31 (in thousands)	2000	1999
<hr/>		
Assets		
Cash	\$ 33,534	\$ 54,375
Receivables, net of allowances of \$6,534 and \$5,217, respectively	459,753	394,338
Committed metal positions	720,659	467,768
Inventories	371,767	359,153
Other current assets	155,992	121,672
	<hr/>	
Total current assets	1,741,705	1,397,306
Investments	200,070	182,184
Property, plant and equipment, net	767,687	871,900
Intangible assets, net	302,843	325,544
Other noncurrent assets	154,527	143,590
	<hr/>	
Total assets	\$3,166,832	\$2,920,524
	<hr/>	
Liabilities and Shareholders' Equity		
Short-term borrowings	\$ 502,172	\$ 452,029
Accounts payable	220,827	246,016
Hedged metal obligations	676,460	497,800
Other current liabilities	427,240	268,978
	<hr/>	
Total current liabilities	1,826,699	1,464,823
Long-term debt	248,566	499,466
Other noncurrent liabilities	217,000	191,845
	<hr/>	
Total liabilities	2,292,265	2,156,134
	<hr/>	
Shareholders' equity:		
Preferred stock, no par value, 5,000 shares authorized and unissued	-	-
Common stock, \$1 par value, 350,000 shares authorized and 147,295 shares issued	147,295	147,295
Retained earnings	1,122,377	1,000,473
Treasury stock, at cost, 20,662 and 21,414 shares, respectively	(344,036)	(352,282)
Accumulated other comprehensive loss	(51,069)	(31,096)
	<hr/>	
Total shareholders' equity	874,567	764,390
	<hr/>	
Total liabilities and shareholders' equity	\$3,166,832	\$2,920,524
	<hr/>	

See accompanying Notes to Consolidated Financial Statements.

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ENGELHARD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

Year ended December 31 (in thousands)	2000	1999	1998
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net earnings	\$168,296	\$197,462	\$187,084
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and depletion	103,326	98,328	88,374
Amortization of intangible assets	13,733	13,296	12,557
Gain on sale of investments and land, net	(18,786)	(8,592)	-
Equity results, net of dividends	(19,823)	(13,835)	(8,055)
Net change in assets and liabilities			
Metal related	(115,569)	83,033	(71,859)
All other	48,878	(20,685)	(31,389)
Net cash provided by operating activities	180,055	349,007	176,712
Cash flows from investing activities			
Capital expenditures	(136,579)	(101,957)	(116,460)
Proceeds from sale of investments and land	52,811	12,764	1,018
Proceeds from sale and leaseback	-	-	67,168
Acquisitions and other investments	(40,095)	(3,142)	(244,780)
Other	838	368	5,850
Net cash used in investing activities	(123,025)	(91,967)	(287,204)
Cash flows from financing activities			
Increase in short-term borrowings	77	102,825	5,349
Increase/(decrease) in hedged metal obligations	69,188	(79,525)	39,743
Proceeds from issuance of long-term debt	-	100,773	115,605
Repayment of long-term debt	(104,132)	(4,500)	-
Purchase of treasury stock	(71)	(298,032)	(8,411)
Stock bonus and option plan transactions	11,400	7,455	11,021
Dividends paid	(51,002)	(52,658)	(57,842)
Net cash (used in)/provided by financing activities	(74,540)	(223,662)	105,465
Effect of exchange rate changes on cash	(3,331)	(1,342)	(1,399)
Net (decrease)/increase in cash	(20,841)	32,036	(6,426)
Cash at beginning of year	54,375	22,339	28,765
Cash at end of year	\$ 33,534	\$ 54,375	\$ 22,339

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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ENGELHARD CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

(in thousands, except per-share amounts)	Common stock	Retained earnings	Treasury stock	Comprehensive income/(loss)	Accumulated other comprehensive income/(loss)	Total shareholders' equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	\$147,295	\$726,082	\$(45,992)		\$(42,125)	\$785,260
Comprehensive income/(loss):						
Net earnings		187,084		\$187,084		187,084
Other comprehensive income/(loss):						
Foreign currency translation adjustments				12,067		
Minimum pension liability adjustment				(3,916)		
Other comprehensive income				8,151	8,151	8,151
Comprehensive income				195,235		
Dividends (\$0.40 per share)		(57,842)				(57,842)
Treasury stock acquired			(8,411)			(8,411)
Adoption of Rabbi Trust		(3,603)	(20,103)			(23,706)
Stock bonus and option plan transactions		1,528	9,493			11,021
Balance at December 31, 1998	147,295	853,249	(65,013)		(33,974)	901,557
Comprehensive income/(loss):						
Net earnings		197,462		197,462		197,462
Other comprehensive income/(loss):						
Foreign currency translation adjustments				(18)		
Minimum pension liability adjustment				2,896		
Other comprehensive income				2,878	2,878	2,878
Comprehensive income				200,340		
Dividends (\$0.40 per share)		(52,658)				(52,658)
Treasury stock acquired			(298,032)			(298,032)
Stock bonus and option plan transactions		2,420	10,763			13,183
Balance at December 31, 1999	147,295	1,000,473	(352,282)		(31,096)	764,390
Comprehensive income/(loss):						
Net earnings		168,296		168,296		168,296
Other comprehensive income/(loss):						
Foreign currency translation adjustments				(20,993)		
Minimum pension liability adjustment				1,020		
Other comprehensive loss				(19,973)	(19,973)	(19,973)
Comprehensive income				\$148,323		
Dividends (\$0.40 per share)		(51,002)				(51,002)
Treasury stock acquired			(71)			(71)
Stock bonus and option plan transactions		4,610	8,317			12,927
Balance at December 31, 2000	\$147,295	\$1,122,377	\$(344,036)		\$(51,069)	\$874,567

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Engelhard Corporation and its wholly owned subsidiaries (collectively referred to as Engelhard or the Company). All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior-year amounts have been reclassified to conform with the current-year presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents include all investments purchased with an original maturity of three months or less and have virtually no risk of loss in value.

INVENTORIES

Inventories are stated at the lower of cost or market. The elements of cost include direct labor and materials, variable overhead and fixed manufacturing overhead. The cost of owned precious-metal inventories is determined using the last-in, first-out (LIFO) method of inventory valuation. The cost of other inventories is principally determined using either the average cost or the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are stated at cost. Depreciation of buildings and equipment are provided primarily on a straight-line basis over the estimated useful lives of the assets. Buildings and building improvements are depreciated over 20 years, while machinery and equipment is depreciated based on lives varying from 3 to 10 years. Depletion of mineral deposits and mine development are provided under the units-of-production method. When assets are sold or retired, the cost and related accumulated depreciation is removed from the accounts, and any gain or loss is included in earnings. The Company continually evaluates the reasonableness of depreciation of its fixed assets. If it becomes probable that expected future undiscounted cash flows associated with these assets are less than their carrying value, the assets are written down to their fair value.

INTANGIBLE ASSETS

Identifiable intangible assets, such as patents and trademarks, are amortized using the straight-line method over their estimated useful lives. Goodwill is amortized over periods up to 40 years using the straight-line method. The Company recorded amortization expense of \$13.7 million in 2000, \$13.3 million in 1999 and \$12.6 million in 1998. Accumulated amortization amounted to \$60.4 million and \$46.7 million at December 31, 2000 and December 31, 1999, respectively. Included in intangible assets is net goodwill that amounted to \$248.4 million and \$290.1 million at December 31, 2000 and December 31, 1999, respectively. The Company continually evaluates the reasonableness of its amortization of intangibles. In addition, if it becomes probable that expected future undiscounted cash flows associated with intangible assets are less than their carrying value, the assets are written down to their fair value.

In 2000, the Company wrote-off goodwill of \$30.4 million as follows: in the first quarter, the Company wrote-off \$6.0 million of goodwill associated with the divestiture of its International Dioxide, Inc. (IDI) business unit; in the third quarter, the Company wrote-off \$21.9 million of goodwill related to the impairment of its HexCore business unit; and, in the fourth quarter, the Company wrote-off \$2.5 million of goodwill as part of its fourth-quarter special charge related to the impairment of its colors business.

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COMMITTED METAL POSITIONS AND HEDGED METAL OBLIGATIONS

Committed metal positions reflect the fair value of metal owned by the Company (other than LIFO inventory) and the fair market value of contracts undertaken to economically hedge price exposures related to a portion of these metals (see Note 8, "Committed Metal Positions and Hedged Metal Obligations" for further detail). Hedged metal obligations are valued at fair value and are comprised of amounts due for metal purchased forward as an economic hedge and amounts representing losses under forward sales and similar derivative transactions undertaken as economic hedges.

To the extent metal prices increase subsequent to a spot purchase that has been hedged, the Company will record a gain while marking the spot metal to market and recognize a loss related to the fair value of the derivative instrument. The aggregate fair value of derivatives in a loss position will be classified as part of hedged metal obligations at the balance sheet date while the spot gains will be included in committed metal positions. Should the reverse occur and the metal prices decrease, the resultant gain on the derivative will be offset against the spot loss within committed metal positions. The reason for this seemingly divergent treatment is that a liability to the counterparty will have been incurred with respect to any derivative instrument in a loss position.

Both spot metal and the so-called derivative instruments used in hedging (e.g. forwards, futures, swaps and options) are stated at market or fair value. Fair value is generally based on listed market prices. If listed market prices are not available or if liquidating the Company's positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations and price quotations in different markets, including markets located in different geographic areas. Any change in value, realized or unrealized, is recognized in gross profit in the period of the change.

In closely monitored situations, for which exposure levels and transaction size limits have been set by senior management, the Company from time to time holds large unhedged industrial commodity positions that are subject to future market fluctuations. Such positions may include varying levels of derivative commodity instruments. All unhedged industrial commodity transactions are monitored and marked-to-market daily, as necessary. The portion of this metal that has not been hedged is therefore subject to price risk and is disclosed in Note 8, "Committed Metal Positions and Hedged Metal Obligations."

ENVIRONMENTAL COSTS

In the ordinary course of business, like most other industrial companies, the Company is subject to extensive and changing federal, state, local and foreign environmental laws and regulations and has made provisions for the estimated financial impact of environmental cleanup-related costs. The Company's policy is to accrue environmental cleanup-related costs of a noncapital nature when those costs are believed to be probable and can be reasonably estimated. Environmental cleanup costs are deemed probable when litigation has commenced or a claim or an assessment has been asserted, or, based on available information, commencement of litigation or assertion of a claim or an assessment is probable, and, based on available information, it is probable that the outcome of such litigation, claim or assessment will be unfavorable. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, advancements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. For certain matters, the Company expects to share costs with other parties. The Company does not include anticipated recoveries from insurance carriers or other third parties in its accruals for environmental liabilities.

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REVENUE RECOGNITION

Revenues are recognized on sales of product at the time the goods are shipped or when risks of ownership have passed to the customer. In limited situations, revenue is recognized on a bill-and-hold basis as title passes to the customer before shipment of goods. These bill-and-hold sales meet the criteria for revenue recognition. Sales recognized on a bill-and-hold basis were approximately \$13.6 million in 2000, \$12.9 million in 1999 and \$10.8 million in 1998.

In accordance with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs," adopted by the Company in the fourth quarter of 2000, the Company reports amounts billed to customers for shipping and handling fees as sales in the Company's "Consolidated Statements of Earnings." Costs incurred by the Company for shipping and handling fees are reported as cost of sales.

SALES AND COST OF SALES

Some of the Company's businesses use precious metals in their manufacturing processes. Precious metals are included in sales and cost of sales if the metal has been supplied by the Company. Often, customers supply the precious metals for the manufactured product. In those cases, precious-metals values are not included in sales or cost of sales. The mix of such arrangements and the extent of market-price fluctuations can significantly affect the reported level of sales and cost of sales, but there is no direct correlation between year-to-year changes in reported sales and operating earnings.

In addition, sales and purchases of precious metals to/from industrial and refining customers are transacted through the Company's Materials Services segment and are recorded in sales and cost of sales. Secondly, and usually as a consequence of the above transactions, the Company also engages in precious-metals sourcing with other counterparties. In these cases, the precious-metals values are generally included in sales and cost of sales only to the extent that the Company has added value by changing the physical form of the metal. For all Materials Services activities, an unrealized gain or loss is recorded as an element of cost of sales based on changes in the market value of the Company's positions.

INCOME TAXES

Deferred income taxes reflect the differences between the assets and liabilities recognized for financial reporting purposes and amounts recognized for tax purposes. Deferred taxes are based on tax laws as currently enacted.

EQUITY METHOD OF ACCOUNTING

The Company's investments in 20%-to 50%-owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Accordingly, the Company's share of the earnings of these companies is included in consolidated net income. Investments in other companies are carried at cost.

FOREIGN CURRENCY TRANSLATION

The functional currency for the majority of the Company's foreign operations is the applicable local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted-average exchange rate during the period. The resulting translation adjustments are recorded as a component of shareholders' equity. Gains or losses resulting from foreign currency transactions are included in the Company's "Consolidated Statements of Earnings."

DERIVATIVE INSTRUMENTS

The Company enters into foreign exchange contracts as a hedge against monetary assets and/or liabilities that are denominated in currencies other than the functional currency of the entity holding those assets or liabilities. The ultimate maturities of the contracts are timed to coincide with the expected liquidation of the underlying monetary balances. Gains and losses on the ultimate settlement of the contracts are offset against the losses and gains realized on those underlying monetary accounts.

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Interest rate swaps, treasury locks and similar arrangements are used by the Company to lock in interest rates and/or convert floating rates to fixed and vice versa. The differential to be paid or received is accrued as interest rates change and is recognized over the life of the underlying debt agreements.

Natural gas futures contracts are used as a hedge to protect a portion of manufacturing costs against the volatility of natural gas pricing over future periods. The ultimate maturities of the contracts are timed to coincide with the expected usage of natural gas in the Company's manufacturing operations.

The use of derivative metal instruments is discussed on page 31 under "Committed Metal Positions and Hedged Metal Obligations." To the extent that the maturities of these instruments are mismatched, the Company may be exposed to cash interest rates. This exposure is mitigated through use of Eurodollar futures that are marked-to-market daily along with the underlying commodity instruments.

STOCK OPTION PLANS

The Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) in 1997. In conjunction with the adoption, the Company will continue to apply the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" with pro forma disclosure of net income and earnings per share as if the fair-value-based method prescribed by SFAS 123 had been applied. In general, no compensation cost related to these plans is recognized in the Company's "Consolidated Statements of Earnings."

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred and were \$82.8 million in 2000, \$77.9 million in 1999 and \$69.8 million in 1998. These costs are included within "selling, administrative and other expenses" in the Company's "Consolidated Statements of Earnings."

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 delayed the required adoption of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities (an amendment of FASB Statement No. 133)." These standards require that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in earnings or comprehensive income, depending on the designation of the derivative.

Adoption of these statements in the first quarter of 2001 did not have a material effect on the Company's results of operations, financial position, cash flows or equity. The Company does not expect them to have a material effect on results of operations, financial position, cash flows or equity.

While the Company engages in economic hedging of metal positions, it does not plan to avail itself of the hedge accounting provisions of the new statements. Accordingly, present accounting policies are relatively unchanged by the new statements.

2. SIGNIFICANT SHAREHOLDER TRANSACTION

In May 1999, the Company purchased approximately 18 million of its shares owned by Minorco, which represented approximately 13% of the Company's total shares outstanding at that time. The remainder of Minorco's stake (28 million shares) was sold in a secondary public offering. Minorco compensated the Company for costs and other expenses related to the secondary offering and the purchase of the shares. The Company financed the share repurchase with short-term debt.

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3. ACQUISITIONS AND DIVESTITURES

During 2000, the Company recorded a gain of \$24.8 million (\$17.0 million after tax or \$0.13 per share on a diluted basis) on the sale of its metal-joining products business located in Warwick, Rhode Island. In addition, the Company recorded a loss of \$6.0 million (\$4.1 million after tax or \$0.03 per share on a diluted basis) associated with the divestiture of the International Dioxide, Inc. (IDI) business unit.

In September 2000, the Company acquired a polyolefin catalyst business located in Tarragona, Spain from Targor GmbH, a subsidiary of BASF AG, for approximately \$35 million. As part of the acquisition, the Company obtained a supply agreement to become the exclusive supplier of polyolefin catalysts to Novolen Technology Holdings C.V. This acquisition was recorded under the purchase method of accounting. The results of operations of this acquisition, integrated into the Process Technologies segment, are included in the accompanying consolidated financial statements from the date of acquisition. A portion of the purchase price has been allocated to assets acquired and liabilities assumed based on their fair values, while the remaining balance was recorded as an intangible asset and is being amortized over 15 years. Pro forma information is not provided since the impact of the acquisition does not have a material effect on the Company's results of operations, cash flows or financial position.

During 1999, the Company sold its hydroprocessing joint venture, its metal-plating business, its Mearlcrete concrete foaming agent business, and certain land and mineral rights located in Talladega County, Alabama. These sales resulted in gains of \$13.2 million (\$9.2 million after tax or \$0.06 per share on a diluted basis). In addition, the Company reduced the carrying value of its investment in Engelhard Highland Private Ltd. to its estimated net realizable value of \$1.0 million and accordingly recorded a loss of \$4.6 million (\$3.2 million after tax or \$0.02 per share on a diluted basis).

In March 1999, the Company acquired the effect-pigment product line of ISP for approximately \$11.5 million. This acquisition expanded the Company's effect-pigments line. The excess of the purchase price over the fair value of net assets acquired has been recorded as goodwill and is being amortized on a straight-line basis over 20 years. The results of operations of this product line, integrated into the Appearance and Performance Technologies segment, are included in the accompanying consolidated financial statements from the date of acquisition.

In May 1998, the Company acquired the chemical catalyst businesses of Mallinckrodt Inc. for approximately \$210 million in cash. The Company financed the acquisition with a combination of commercial paper and bank borrowings. The purchase price exceeded the assessment of the fair value of net assets acquired by approximately \$90 million, which is being amortized on a straight-line basis over 40 years. The results of operations of the Mallinckrodt businesses, integrated into the Process Technologies segment, are included in the accompanying consolidated financial statements from the date of acquisition.

In January 1998, the Company acquired the pearlescent pigments business of Semo Chemical Company for approximately \$13.5 million. This acquisition expanded the Company's effect-pigments business. The excess of the purchase price over the fair value of net assets acquired has been recorded as goodwill and is being amortized on a straight-line basis over 25 years. The results of operations of this business, integrated into the Appearance and Performance Technologies segment, are included in the accompanying consolidated financial statements from the date of acquisition.

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4. SPECIAL AND OTHER CHARGES

The Company recorded special and other charges of \$134.2 million (\$92.0 million after tax or \$0.72 per share on a diluted basis) in 2000 for a variety of events. The following table sets forth the impact of these charges in the Company's 2000 "Consolidated Statements of Earnings:"

<TABLE>

<CAPTION>

FINANCIAL IMPACT (in millions, except per share amounts) <S>	Third Quarter Special and Other Charges <C>	Fourth Quarter Special and Other Charges <C>	Total <C>
Cost of sales	\$ -	\$ (27.1)	\$ (27.1)
Selling, administrative and other expenses	-	(23.8)	(23.8)
Special charge	(24.6)	(57.9)	(82.5)
Operating loss	(24.6)	(108.8)	(133.4)
Equity in losses of affiliates	-	(0.8)	(0.8)
Loss before income taxes	(24.6)	(109.6)	(134.2)
Income tax benefit	7.7	34.5	42.2
Net loss	\$ (16.9)	\$ (75.1)	\$ (92.0)
Diluted loss per share	\$ (0.13)	\$ (0.59)	\$ (0.72)

</TABLE>

The 2000 special and other charges are described below:

The Environmental Technologies segment incurred charges of \$15.4 million, primarily related to additional provisions for warranty costs associated with the segment's stationary-source, emission-control capital equipment business, which was sold in 1998.

The Process Technologies segment incurred charges of \$5.5 million, primarily for the write-off of the unamortized balance of a customer supply agreement recognized in connection with the acquisition of the chemical catalyst businesses of Mallinckrodt Inc. in 1998. The Company does not expect future deliveries under the contract.

The Appearance and Performance Technologies segment incurred charges of \$50.5 million, including the write-down of assets of \$30.4 million in the segment's colors business, the write-off of \$4.6 million of obsolete inventory within the segment's minerals business, charges of \$3.6 million related to the Company's decision to divest its 50%-owned interest in the Dnipro Kaolin (Ukraine) joint venture, which had previously generated immaterial losses, charges of \$3.5 million related to the write-off of an obsolete computer system and other charges of \$8.4 million.

As a result of declining sales, a shift in product mix to higher volume, low-gross-profit products and severe price pressure for all product lines, the colors business continued operating at a loss in 2000. In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of," the Company performed an impairment review of its long-lived assets. During the fourth quarter of 2000, the Company determined that the estimated future undiscounted cash flows of the segment's colors business were below the carrying value of its assets. Accordingly, the Company adjusted the carrying value of the long-lived assets and goodwill to their estimated fair values. The estimated fair values of the machinery and equipment and goodwill were based on anticipated future cash flows discounted at a rate commensurate with the Company's estimated cost of capital. The resulting impairment charge consisted primarily of a write-down of machinery and equipment.

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Based on a reassessment of the volumes of usable crude kaolin contained in stockpiles in Middle Georgia, a determination was made to adjust quantities downward resulting in a charge of \$4.6 million. Crude kaolin is used to produce high-quality pigments and additives for a variety of end markets.

Within the Company's "All Other" category, the Company incurred special and other charges of \$62.8 million, primarily related to the decision to exit from its residual, desiccant-based, climate-control-system business. This business was comprised of the Company's HexCore subsidiary and a cost-based investment in Fresh Air Solutions, a limited partnership. These charges primarily result from asset write-offs and recognition of the Company's obligation under a guarantee. Revenues and net losses from the HexCore subsidiary were immaterial for each of the three years ended December 31, 2000.

In 1999, the Company recorded severance costs of \$5.4 million and asset impairments of \$3.7 million associated with a restructuring of the Company's business groups and for severance at three of the Company's manufacturing facilities. The severance charges related to the elimination of 72 positions. In 1999, the Company recognized charges of \$3.7 million relating to closure costs at the Company's Salt Lake City facility of approximately \$2.3 million, as well as an impairment to goodwill of \$1.4 million relating to the sensor technologies business unit. The Company sold its sensor technologies business in February 2000. The proceeds of \$6.5 million approximated the remaining net realizable value.

The Company's pre-1998 restructuring charge included a \$5.0 million impairment relating to the Company's Salt Lake City facility and \$3.8 million for environmental remediation costs for its Harvard-Denison site in Cleveland, Ohio. In 1999, the Company restored the carrying value of the Salt Lake City facility to its original book value of \$5.0 million based on a third party offer and independent appraisal. In 2000, the Company sold a portion of this facility. With regard to Harvard-Denison, the Company believes the site qualifies for the Government's Formerly Utilized Sites Remedial Action Program (FUSRAP) and, as a result, the government would be responsible for future remediation. Accordingly, the Company reversed \$3.8 million as a special credit in 1999.

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The following table sets forth the components of the Company's reserves for restructuring and other costs:

<TABLE>

<CAPTION>

RESTRUCTURING AND OTHER RESERVES (in millions)	Separations			Other			Total
	Pre-1998	1999	2000	Pre-1998	1999	2000	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	\$11.2	\$ --	\$ --	\$10.8	\$ --	\$ --	\$22.0
Cash spending, net	(4.7)	--	--	(5.8)	--	--	(10.5)
Asset write-offs	--	--	--	(1.9)	--	--	(1.9)
Balance at December 31, 1998	6.5	--	--	3.1	--	--	9.6
Cash spending, net	(0.5)	(3.4)	--	(2.9)	--	--	(6.8)
(Reversal)/provision	(4.8)	5.4	--	4.8	0.9	--	6.3
Balance at December 31, 1999	1.2	2.0	--	5.0	0.9	--	9.1
Cash spending, net	(0.9)	(1.4)	--	(4.1)	(0.6)	--	(7.0)
Provision	--	--	1.1	--	--	31.4 (a)	32.5
Balance at December 31, 2000	\$0.3	\$0.6	\$1.1	\$0.9	\$0.3	\$31.4	\$34.6

</TABLE>

(a) Primarily related to warranty and restructuring charges.

The non-separation-related cash spending for pre-1998 restructuring and other liabilities for each of the three years ended December 31, 2000, 1999, and 1998 consisted primarily of costs associated with the shutdown of the Union and Newark, New Jersey sites, the Attapulgis, Georgia attapulgit operations and the Plainville, Massachusetts site. The remaining balance in the pre-1998 restructuring and other reserves consists of shutdown costs for the Union, New Jersey, and Plainville, Massachusetts sites, as well as the attapulgit operations in Attapulgis.

The non-separation restructuring and other cost provision made prior to 1998 consists primarily of costs associated with the shutdown of the facilities to be closed in connection with the Process Technologies and Environmental Technologies segments and certain warranty obligations associated with the sold Environmental Technologies stationary-source, emission-control capital equipment business. Non-separation-related cash spending associated with these liabilities for the year ended December 31, 2000 consisted of payments concerning completion of the shutdown of the facilities and the satisfaction of warranty obligations.

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5. INVENTORIES

Inventories consist of the following:

INVENTORIES

(in millions)

	2000	1999
Raw materials	\$ 81.1	\$ 84.2
Work in process	76.7	53.0
Finished goods	190.8	195.7
Precious metals	23.2	26.3
Total inventories	\$371.8	\$359.2

The majority of the Company's physical metal is carried in committed metal positions with the remainder carried in inventory. All precious-metal inventories are stated at LIFO cost. The market value of the precious-metals inventories exceeded cost by \$254.1 million and \$115.3 million at December 31, 2000 and 1999, respectively. Net earnings include after-tax gains of \$2.5 million in 2000, \$2.2 million in 1999, and \$4.9 million in 1998 from the sale of inventory accounted for under the LIFO method.

In the normal course of business, certain customers and suppliers deposit significant quantities of precious metals with the Company under a variety of arrangements. Equivalent quantities of precious metals are returnable as product or in other forms.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

PROPERTY, PLANT AND EQUIPMENT

(in millions)

	2000	1999
Land	\$ 27.9	\$ 30.4
Buildings and building improvements	203.3	213.2
Machinery and equipment	1,330.8	1,438.5
Construction in progress	101.3	67.1
Mineral deposits and mine development	74.3	80.4
	1,737.6	1,829.6
Accumulated depreciation and depletion	969.9	957.7
Property, plant and equipment, net	\$ 767.7	\$ 871.9

Mineral deposits and mine development consist of industrial mineral reserves such as kaolin, attapulgite and mica. The Company does not own any mining reserves or conduct any mining operations with respect to platinum, palladium or other metals.

In 2000, the Company entered into a sale-leaseback transaction for machinery and equipment that is used in the Process Technologies segment. This lease is being accounted for as an operating lease.

The Company capitalized interest of \$3.9 million in 2000, \$2.6 million in 1999 and \$1.9 million in 1998.

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7. INVESTMENTS

The Company has investments in affiliates that are accounted for under the equity method. The more significant of these investments are Engelhard-CLAL, N.E. Chemcat Corporation (N.E. Chemcat) and Heesung-Engelhard. Engelhard-CLAL, a 50%-owned joint venture, manufactures and markets certain products containing precious metals. N.E. Chemcat is a 38.8%-owned, publicly traded Japanese corporation and a leading producer of automotive and chemical catalysts, electronic chemicals and other precious-metal-based products. Heesung-Engelhard, a 49% Korean-owned joint venture, manufactures and markets catalyst products for automobiles.

In the first quarter of 1999, the Company sold its investment in Acreon Catalysts, a hydroprocessing joint venture. The Company recorded a gain of \$1.0 million (\$0.7 million after tax).

The summarized unaudited financial information below represents an aggregation of the Company's nonsubsidiary affiliates on a 100% basis, unless otherwise noted:

FINANCIAL INFORMATION (unaudited) (in millions)

	2000	1999	1998

Earnings data:			
Revenue	\$1,886.1	\$1,553.2	\$1,540.7
Gross profit	195.2	156.1	151.8
Net earnings	60.2	37.1	14.3
Engelhard's equity in net earnings of affiliates	24.2	16.3	10.1
Balance sheet data:			
Current assets	\$ 609.2	\$ 513.0	
Noncurrent assets	213.7	209.1	
Current liabilities	301.5	232.6	
Noncurrent liabilities	62.9	67.7	
Net assets	458.5	421.8	
Engelhard's equity in net assets	193.9	179.0	

The Company's share of undistributed earnings/losses of affiliated companies included in consolidated retained earnings were earnings of \$60.3 million as of December 31, 2000 and \$40.5 million as of December 31, 1999, and a loss of \$5.4 million as of December 31, 1998. Dividends from affiliated companies were \$4.4 million in 2000, \$2.4 million in 1999 and \$2.0 million in 1998.

As of December 31, 2000, the Company's accumulated other comprehensive loss included a foreign currency translation loss of approximately \$13.5 million relating to its Engelhard-CLAL joint venture. The Company is currently in the process of liquidating all or a part of its Engelhard-CLAL joint venture. Upon complete liquidation of the Company's investment in Engelhard-CLAL, the Company will recognize the foreign currency translation amount relating to Engelhard-CLAL in current earnings with an offsetting credit to other comprehensive income in accordance with accounting principles generally accepted in the United States.

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8. COMMITTED METAL POSITIONS AND HEDGED METAL OBLIGATIONS

The following table sets forth the Company's unhedged metal positions included in committed metal positions on the Company's "Consolidated Balance Sheets:"

METAL POSITIONS INFORMATION (in millions)

	2000		1999	
	Gross Position	Value	Gross Position	Value
Platinum group metals	Long	\$78.4	Long	\$65.0
Gold	Flat	--	Long	0.2
Silver	Long	1.3	Long	1.6
Base metals	Long	5.0	Long	5.3
Total unhedged metal positions		\$84.7		\$72.1

The net mark-to-market adjustments related to open unhedged positions were \$11.6 million at December 31, 2000 and \$8.2 million at December 31, 1999. The net mark-to-market adjustments related to open unhedged positions were not material at December 31, 1998.

Derivative metal and foreign currency instruments used to hedge metal positions and obligations consist of the following:

METAL HEDGING INSTRUMENTS (in millions)

	2000		1999	
	Buy	Sell	Buy	Sell
Metal forwards/futures	\$1,244.0	\$1,146.6	\$1,495.6	\$1,026.2
Eurodollar futures	115.7	104.3	52.9	66.3
Swaps	16.0	22.7	118.2	177.4
Options	39.3	8.7	90.2	5.4
Foreign exchange forwards/futures	-	171.2	77.5	-

9. FINANCIAL INSTRUMENTS

The Company's nonderivative financial instruments consist primarily of cash in banks, temporary investments, accounts receivable and debt. The fair value of financial instruments in working capital approximates book value. The fair value of long-term debt was \$237.5 million as of December 31, 2000 and \$479.1 million as of December 31, 1999 based on current interest rates, compared with a book value of \$248.6 million as of December 31, 2000 and \$499.5 million as of December 31, 1999.

The Company believes that its financial instruments do not represent a concentration of credit risk because the Company deals with a variety of major banks worldwide, and its accounts receivable are spread among a number of major industries, customers and geographic areas. In addition, a centralized credit committee reviews significant credit transactions and risk-management issues before the granting of credit, and an appropriate level of reserves is maintained. For the past three-year period, provisions to these reserves were not significant.

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FOREIGN CURRENCY INSTRUMENTS

Aggregate foreign transaction gains and losses were not significant for any year presented. The following table sets forth, in U.S. dollars, the Company's open foreign currency forward contracts used for hedging other than metal-related transactions as of the respective year ends (see Note 8, "Committed Metal Positions and Hedged Metal Obligations" for further detail):

FOREIGN CURRENCY FORWARD CONTRACTS INFORMATION (in millions)

	2000		1999	
	Buy	Sell	Buy	Sell
Deutsche mark	\$ -	\$ 27.7	\$ -	\$ 0.3
Japanese yen	-	-	10.7	16.1
French franc	-	3.0	-	-
Euro	11.0	142.4	-	50.8
Netherlands guilder	4.1	9.4	39.9	21.2
South African rand	-	4.8	-	-
Peru soles	-	-	-	10.0
Swedish krona	-	-	-	0.7
British pound	6.9	-	-	-
Italian lira	-	1.6	2.0	4.8
Total open foreign currency forward contracts	\$22.0	\$188.9	\$52.6	\$103.9

None of these contracts exceeds a year in duration, and the net amount of deferred income and expense on foreign currency forward contracts had no impact on the Company's financial position or results of operations in 2000, 1999 and 1998.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

At December 31, 2000, the Company had unsecured committed revolving credit agreements for \$600 million and \$200 million with a group of major North American banks and foreign banks. The \$600 million agreement expires in April 2002, and the \$200 million agreement expires in May 2001. In connection with these credit facilities, the Company has agreed to certain covenants, none of which is considered by Management to be restrictive to the operations of the Company. Facility fees are paid to the bank group for these lines. Renewal of both agreements are under consideration by Management.

At December 31, 2000 and 1999, short-term bank borrowings were \$153.0 million and \$229.9 million, respectively. Weighted-average interest rates were 6.4%, 5.2% and 5.5% during 2000, 1999, and 1998, respectively. At December 31, 2000 and 1999, long-term debt due within one year was \$150.1 million and \$100.1 million, respectively.

At December 31, 2000 and 1999, commercial paper borrowings were \$199.1 million and \$122.0 million, respectively. Weighted-average interest rates were 6.3%, 5.1% and 5.5% during 2000, 1999 and 1998, respectively.

Additional unused, uncommitted lines of credit available exceeded \$680 million at December 31, 2000. The Company's lines of credit with its banks are available in accordance with normal terms for prime commercial borrowers and are not subject to commitment fees or other restrictions.

In July 1998, the Company filed a shelf registration for \$300 million. Plans to issue debt under the shelf registration are under consideration.

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The following table sets forth the components of long-term debt:

DEBT INFORMATION
(in millions)

	2000	1999
Notes, with a weighted-average interest rate of 6.53%, due 2000	\$ -	\$ 99.9
Notes acquired, with a weighted-average interest rate of 12.0%, due 2003-2006	14.1	14.1
7% Notes, due 2001, net of discount	149.9	149.6
7.375% Notes, due 2006, net of discount	99.6	99.5
6.95% Notes, due 2028, net of discount	118.5	118.4
Bank Debt, 7.25%, due 2000-2004	-	100.8
Industrial revenue bonds, 5.375%, due 2006	6.5	6.5
Industrial revenue bonds, variable rate, due 2020	8.5	8.6
Foreign bank loans with a weighted-average interest rate of 7.0%, due 2000-2001	1.1	1.2
Other, with weighted-average rate of 5.9%, due 2000-2007	0.5	1.0
	398.7	599.6
Amounts due within one year	150.1	100.1
Total long-term debt	\$248.6	\$499.5

As of December 31, 2000, the aggregate maturities of long-term debt for the succeeding five years are as follows: \$150.1 million in 2001, \$1.1 million in 2002, \$0.1 million in 2003, \$0.1 million in 2004, \$0.1 million in 2005 and \$247.2 million thereafter.

Net interest expense was \$62.6 million in 2000, compared with \$56.6 million in 1999 and \$58.9 million in 1998. Net interest expense in 1999 included a reduction of \$7.1 million resulting from the settlement of treasury lock positions that were entered into to hedge anticipated long-term borrowings that never occurred. Excluding this reduction from 1999, net interest expense in 2000 decreased due to decreased borrowings, partially offset by increased interest rates; exclusive of the reduction from treasury locks, net interest expense in 1999 increased from 1998 levels primarily due to increased borrowings related to a major share repurchase in May 1999 and an increase in interest rates. Interest income was \$2.1 million in 2000, \$2.9 million in 1999 and \$2.3 million in 1998.

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11. INCOME TAXES

The components of income tax expense are shown in the following table:

Income Tax Expense (in millions)	2000	1999	1998
Current income tax expense			
Federal	\$105.7	\$ 45.7	\$39.5
State and local	10.1	4.7	7.9
Foreign	14.5	31.6	22.4
	130.3	82.0	69.8
Deferred income tax expense			
Federal	(55.1)	3.8	1.9
State and local	(11.3)	(2.1)	(1.0)
Foreign	13.5	0.7	8.6
Changes in tax rates	-	0.3	(0.8)
Loss carryforwards/tax credits	-	2.0	(5.0)
	(52.9)	4.7	3.7
Income tax expense	\$77.4	\$ 86.7	\$73.5

The foreign portion of earnings before income tax expense was \$126.3 million in 2000, \$109.4 million in 1999 and \$77.9 million in 1998. Taxes on income of foreign consolidated subsidiaries and affiliates are provided at the tax rates applicable to their respective foreign tax jurisdictions.

The following table sets forth the components of the net deferred tax asset that result from temporary differences between the amounts of assets and liabilities recognized for financial reporting and tax purposes:

NET DEFERRED INCOME TAX ASSET (in millions)	2000	1999
Deferred tax assets		
Accrued liabilities	\$203.3	\$ 89.2
Noncurrent liabilities	68.5	73.5
Tax credits/carryforwards	5.5	33.4
Total deferred tax assets	277.3	196.1
Valuation allowance	(11.1)	(17.4)
Total deferred tax assets, net of valuation allowance	266.2	178.7
Deferred tax liabilities		
Prepaid pension expense	(32.8)	(37.6)
Property, plant and equipment	(8.0)	(9.8)
Other assets	(49.5)	(31.3)
Total deferred tax liabilities	(90.3)	(78.7)
Net deferred tax asset	\$175.9	\$100.0

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Net current deferred tax assets of \$116.8 million and \$65.0 million at December 31, 2000 and December 31, 1999, respectively, are included in other current assets and net noncurrent deferred tax assets of \$59.1 million and \$35.0 million at December 31, 2000 and December 31, 1999, respectively, are included in other noncurrent assets in the Company's "Consolidated Balance Sheets."

In 2000, the Company recorded special and other charges in the amount of \$134.2 million. A deferred tax asset of \$54.0 million was provided with respect to this charge. The Company generated and recorded a deferred tax asset for U.S. foreign tax credit carryforwards in the amount of \$1.5 million and provided a full valuation allowance against that asset. The Company recorded certain deferred tax assets created by foreign net operating loss carryforwards in the aggregate amount of \$2.1 million and provided full valuation allowances against those assets.

As of December 31, 2000, the Company had approximately \$1.5 million of U.S. foreign tax credit carryforwards, which will expire in 2005. The Company also had approximately \$3.9 million of foreign net operating losses of which \$0.1 million will expire in 2005, and \$3.8 million will carry forward indefinitely.

A reconciliation of the difference between the Company's consolidated income tax expense and the expense computed at the federal statutory rate is shown in the following table:

CONSOLIDATED INCOME TAX EXPENSE RECONCILIATION
(in millions)

	2000	1999	1998
Income tax expense at federal statutory rate	\$ 86.0	\$ 99.4	\$ 91.2
State income taxes, net of federal effect	4.0	3.8	4.3
Percentage depletion	(9.8)	(12.9)	(13.5)
Equity earnings	(3.4)	(3.1)	(1.3)
Effect of different tax rates on foreign earnings, net	2.0	1.5	2.5
Tax credits/carrybacks	(3.6)	(9.7)	(1.7)
Foreign sales corporation	(7.9)	(7.3)	(7.4)
Non-deductible goodwill	2.9	2.0	2.0
Valuation allowance	3.6	11.7	(7.1)
Other items, net	3.6	1.3	4.5
Income tax expense	\$ 77.4	\$ 86.7	\$ 73.5

At December 31, 2000, the Company's share of the cumulative undistributed earnings of foreign subsidiaries was approximately \$463.5 million. No provision has been made for U.S. or additional foreign taxes on the undistributed earnings of foreign subsidiaries because such earnings are expected to be reinvested indefinitely in the subsidiaries' operations. It is not practical to estimate the amount of additional tax that might be payable on these foreign earnings in the event of distribution or sale. However, under existing law, foreign tax credits would be available to substantially reduce, or in some cases, eliminate U.S. taxes payable.

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12. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has raw material supply arrangements with entities in which Anglo American Corporation of South Africa Limited (Anglo) has material interests and with its equity affiliates, including N.E. Chemcat, Engelhard-CLAL and Heesung-Engelhard. Anglo, indirectly through Minorco S.A., held a significant minority interest in the common stock of the Company. In May 1999, Minorco sold all the shares of common stock of Engelhard that it owned (see Note 2, "Significant Shareholder Transaction" for further detail). The Company's transactions with such entities (through May 1999 for entities in which Anglo had material interests) amounted to: purchases-from of \$5.5 million in 2000, \$41.3 million in 1999 and \$176.3 million in 1998; sales-to of \$27.8 million in 2000, \$24.6 million in 1999 and \$1.7 million in 1998; and metal leasing-to of \$9.9 million in 2000, \$2.8 million in 1999 and \$17.5 million in 1998. At December 31, 2000 and 1999, amounts due to such entities totaled \$0.4 million and \$1.9 million, respectively.

13. BENEFITS

The Company has domestic and foreign pension plans covering substantially all employees. Plans covering most salaried employees generally provide benefits based on years of service and the employee's final average compensation. Plans covering most hourly bargaining unit members generally provide benefits of stated amounts for each year of service. The Company makes contributions to the plans as required and to such extent contributions are currently deductible for tax purposes. Plan assets primarily consist of listed stocks, fixed income securities and cash.

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The following table sets forth the plans' funded status:

Funded Status (in millions)	2000	1999
-----	-----	-----
CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	\$382.0	\$386.1
Service cost	13.3	12.1
Interest cost	26.8	24.5
Plan amendments	1.6	3.0
Actuarial losses/(gains)	21.2	(9.1)
Benefits paid	(23.3)	(29.8)
Foreign exchange	(5.6)	(4.8)
	-----	-----
Projected benefit obligation at end of year	\$416.0	\$382.0
	-----	-----
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	\$422.4	\$375.1
Actual return on plan assets	93.3	77.0
Employer contribution	2.9	5.7
Benefits paid	(23.3)	(29.8)
Foreign exchange	(6.7)	(5.6)
	-----	-----
Fair value of plan assets at end of year	\$488.6	\$422.4
	-----	-----
Funded status	\$ 72.6	\$ 40.4
Unrecognized net actuarial (gain)/loss	(15.5)	23.2
Unrecognized prior service cost	10.9	11.3
Unrecognized transition asset, net of amortization	(0.6)	(1.2)
Fourth quarter contribution	0.1	-
	-----	-----
Prepaid pension asset	\$ 67.5	\$ 73.7
	=====	=====
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	\$ 72.5	\$ 75.6
Accrued benefit liability	(5.0)	(5.5)
Intangible asset	-	2.6
Accumulated other comprehensive loss	-	1.0
	-----	-----
Net amount recognized	\$ 67.5	\$ 73.7
	=====	=====

The prepaid pension asset balances of \$67.5 million and \$73.7 million at December 31, 2000 and December 31, 1999, respectively, are included in other noncurrent assets in the Company's "Consolidated Balance Sheets." The Company recorded minimum pension asset adjustments of \$1.0 million and \$2.9 million in 2000 and 1999, respectively. These adjustments were recognized and charged to "Accumulated Other Comprehensive Loss."

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The components of net periodic pension expense for all plans are shown in the following table:

NET PERIODIC PENSION EXPENSE (in millions)	2000	1999	1998
Service cost	\$ 13.3	\$ 12.1	\$ 12.1
Interest cost	26.8	24.5	23.6
Expected return on plan assets	(37.7)	(36.0)	(34.7)
Amortization of prior service cost	1.9	2.2	1.6
Amortization of transition asset	(0.6)	(0.5)	(1.0)
Recognized actuarial loss	2.9	4.3	2.4
Curtailement gain	-	-	(1.0)
Net periodic pension expense	\$ 6.6	\$ 6.6	\$ 3.0

The discount rates used in determining the actuarial present value of the projected benefit obligation are 6.0% to 7.75% in 2000, 5.50% to 7.75% in 1999 and 6.00% to 6.75% in 1998. The expected increase in future compensation levels was 3.50% to 4.50% in 2000, 3.00% to 4.50% in 1999 and 3.00% to 4.00% in 1998. The expected long-term rate of return on assets was 8.50% to 10.50% in 2000, 1999 and 1998.

The Company also sponsors three savings plans covering certain salaried and hourly employees. The Company's contributions, which may equal up to 50% of certain employee contributions, were \$3.9 million in 2000, \$3.6 million in 1999 and \$3.2 million in 1998.

The Company also currently provides postretirement medical and life insurance benefits to certain retirees (and their spouses), certain disabled employees (and their families) and spouses of certain deceased employees. Substantially all U.S. salaried employees and certain hourly employees are eligible for these benefits, which are paid through the Company's general health care and life insurance programs, except for certain medicare-eligible salaried and hourly retirees who are provided a defined contribution towards the cost of a partially insured health plan. In addition, the Company provides postemployment benefits to former or inactive employees after employment but before retirement. These benefits are substantially similar to the postretirement benefits, but cover a much smaller group of employees.

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The following table sets forth the components of the accrued postretirement and postemployment benefit obligation, all of which are unfunded:

POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS (in millions)	2000	1999

CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	\$117.8	\$128.1
Service cost	2.8	3.2
Interest cost	8.7	8.3
Actuarial losses/(gains)	3.5	(10.1)
Benefits paid	(9.8)	(11.7)
	-----	-----
Benefit obligation at end of year	\$123.0	\$117.8
	-----	-----
Unrecognized net loss	(5.8)	(2.5)
Unrecognized prior service cost	21.6	27.8
	-----	-----
Accrued benefit obligation	\$138.8	\$143.1
	=====	=====

The postretirement and postemployment benefit balances of \$138.8 million and \$143.1 million at December 31, 2000 and December 31, 1999, respectively, are included in other noncurrent liabilities in the Company's "Consolidated Balance Sheets."

The components of the net expense for these postretirement and postemployment benefits are shown in the following table:

POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS (in millions)	2000	1999	1998

COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	\$2.8	\$3.2	\$3.0
Interest cost	8.7	8.3	8.0
Net amortization	(5.8)	(5.6)	(5.8)
	-----	-----	-----
Net periodic benefit cost	\$5.7	\$5.9	\$5.2
	=====	=====	=====

The weighted-average discount rate used in determining the actuarial present value of the accumulated postretirement and postemployment benefit obligation for 2000 and 1999 is 7.75%. The average assumed health care cost trend rate used for 2000 and 1999 is 5% to 6% and 5% to 8%, respectively. A 1% increase in the assumed health care cost trend rate would have increased aggregate service and interest cost in 2000 by \$0.7 million and the accumulated postretirement and postemployment benefit obligation as of December 31, 2000 by \$6.3 million. A 1% decrease in the assumed healthcare cost trend rate would have decreased aggregate service and interest cost in 2000 by \$1.2 million and the accumulated postretirement and postemployment benefit obligation as of December 31, 2000 by \$10.8 million.

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14. STOCK OPTION AND BONUS PLANS

The Company's Stock Option Plans of 1999 and 1991, as amended (the Key Option Plans), generally provide for the granting to key employees of options to purchase an aggregate of 5,500,000 and 16,875,000 common shares, respectively, at fair market value on the date of grant. No options under the Stock Option Plans of 1999 and 1991 may be granted after December 16, 2009 and June 30, 2002, respectively.

In 1993, the Company established the Employee Stock Option Plan of 1993, as amended, which generally provided for the granting to all employees (excluding U.S. bargaining unit employees and key employees eligible under the Key Option Plans) of options to purchase an aggregate of 2,812,500 common shares at fair market value on the date of grant. No additional options may be granted under this plan. In 1995, the Company established the Directors Stock Options Plan, which generally provides for the annual granting to each non-employee director the option to purchase up to 3,000 common shares at the fair market value on the date of grant. Options under all plans become exercisable in four installments beginning after one year, and no options may be exercised after 10 years from the date of grant. Outstanding options may be canceled and reissued under terms specified in the plan documents.

Had compensation cost for the Company's two stock option plans been determined based on the fair value at grant date for awards in 2000, 1999 and 1998 consistent with the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," the Company's net earnings and earnings per share would have been as follows:

PRO FORMA INFORMATION

(in millions, except per share data)	2000	1999	1998
Net earnings--as reported	\$168.3	\$197.5	\$187.1
Net earnings--pro forma	159.9	189.3	179.4
Basic earnings per share--as reported	1.33	1.49	1.30
Basic earnings per share--pro forma	1.27	1.43	1.24
Diluted earnings per share--as reported	1.31	1.47	1.29
Diluted earnings per share--pro forma	1.25	1.41	1.23

The weighted-average fair value at date of grant for options granted during 2000, 1999 and 1998 was \$4.28, \$5.19 and \$5.07, respectively. Fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model.

The following assumptions were used:

	2000	1999	1998
Dividend yield	2.1% - 2.4%	1.9% - 2.3%	1.8% - 2.3%
Expected volatility	33%	33%	32%
Risk-free interest rate	6.0%	4.5% - 6.0%	4.5% - 6.0%
Expected life (years)	4-5	4	4

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Stock option transactions under all plans are as follows:

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	2000		1999		1998	
	Number of Shares	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	16,472,791	\$18.30	14,084,148	\$18.17	11,730,245	\$17.93
Granted	1,611,786	\$16.87	2,953,721	\$18.62	2,903,190	\$18.59
Forfeited	(255,840)	\$19.22	(328,616)	\$18.83	(320,162)	\$20.61
Exercised	(142,230)	\$12.14	(236,462)	\$13.09	(229,125)	\$12.67
Outstanding at end of year	17,686,507	\$18.20	16,472,791	\$18.30	14,084,148	\$18.17
Exercisable at end of year	13,692,608	\$18.24	10,412,192	\$17.99	8,108,731	\$17.45
Available for future grants	5,383,014		3,738,960		3,864,065	

</TABLE>

The following table summarizes information about fixed-price options outstanding at December 31, 2000:

Options Outstanding				Options Exercisable	
Range of Exercise prices	Number Outstanding at 12/31/00	Weighted- Average Remaining Contractual Life (years)	Weighted- Average Exercise Price	Number Exercisable at 12/31/00	Weighted- Average Exercise Price
\$5.54 to 15.36	1,384,081	1-2	\$13.58	1,384,081	\$13.58
14.21 to 22.38	4,630,489	4-5	17.76	4,630,489	17.76
19.00 to 23.88	1,788,889	6	21.52	1,788,889	21.52
18.56 to 20.91	2,667,967	7	19.10	2,258,951	19.09
17.34 to 21.69	2,767,278	8	18.63	1,918,215	18.71
17.81 to 20.97	2,858,955	9	18.59	1,431,555	18.50
16.84 to 18.75	1,588,848	10	16.87	280,428	16.84
	17,686,507		\$18.20	13,692,608	\$18.24

The Company's Key Employee Stock Bonus Plan, as amended (the Bonus Plan) provides for the award of up to 15,187,500 common shares to key employees as compensation for future services, not exceeding 1,518,750 shares in any year (plus any canceled awards or shares available for award but not previously awarded). The Bonus Plan terminates on June 30, 2006. Shares awarded vest in five annual installments, provided the recipient is still employed by the Company on the vesting date. Compensation expense is measured on the date the award is granted and is amortized over five years. In 2000 and 1999, the Company granted 321,000 and 270,000 shares to key employees at a fair value of \$16.84 and \$19.54, respectively, per share.

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Compensation expense relating to stock awards was \$5.0 million in 2000, \$4.3 million in 1999 and \$3.9 million in 1998. Shares awarded, net of cancellations, are included in average shares outstanding.

Engelhard has certain deferred compensation arrangements where shares earned under the Engelhard stock bonus plan are deferred and placed in a "Rabbi Trust". Under certain conditions, the plan permitted employees to convert their deferred stock balance to deferred cash. In February 2001, the Company terminated this deferred cash option and now requires all future pay-outs to be made in the form of Engelhard common stock. In the third quarter of 1998, the Company adopted the provisions of Emerging Issues Task Force (EITF) 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested." This EITF requires Engelhard to consolidate into its financial statements the net assets of the trust. The impact to the third quarter, 1998 consolidated financial statements was a \$20.1 million increase in treasury stock (measured at historical cost); the recording of a \$23.7 million deferred compensation obligation (measured on the reporting date by fair value of the Engelhard common stock held in the trust on behalf of the employees); and a charge to equity for the \$3.6 million difference (referred to as the "transition differential"). After the transition date but prior to final settlement, increases/decreases in the deferred compensation liability will be recognized (1) in equity to the extent that the share price change falls within the transition differential, or (2) in income to the extent that the share change falls outside the transition differential. With the termination of the deferred cash option, increases/decreases in the deferred compensation liability will no longer be recognized in earnings.

For the year ended December 31, 2000, the Company recognized expense of \$0.4 million related to the increase in the value of its common stock held in a Rabbi Trust for deferred compensation from \$18.875 at December 31, 1999 to \$20.375 at December 31, 2000. For the year ended December 31, 1999, the Company recognized income of \$0.9 million related to the decrease in the value of its common stock from \$19.50 at December 31, 1998 to \$18.875 at December 31, 1999. For the year ended December 31, 1998, the Company recognized expense of \$2.4 million related to the increase in the value of its common stock from \$17.69 at September 30, 1998 to \$19.50 at December 31, 1998. The total value of the Rabbi Trust at December 31, 2000 was \$7.8 million compared to \$25.2 million at December 31, 1999.

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15. EARNINGS PER SHARE

Statement of Financial Accounting Standard No. 128, "Earnings Per Share" (SFAS 128) specifies the computation, presentation, and disclosure requirements for basic and diluted earnings per share (EPS). The following table represents the computation of basic and diluted EPS as required by SFAS 128:

EARNINGS PER SHARE COMPUTATIONS

Year ended December 31 (in thousands, except per share data)

	2000	1999	1998

BASIC EPS COMPUTATION			
Net income applicable to common shares	\$168,296	\$197,462	\$187,084

Average number of shares outstanding-basic	126,351	132,432	144,157

Basic earnings per share	\$ 1.33	\$ 1.49	\$ 1.30
=====			
DILUTED EPS COMPUTATION			
Net income applicable to common shares	\$168,296	\$197,462	\$187,084

Average number of shares outstanding-basic	126,351	132,432	144,157
Effect of dilutive stock options and other incentives	546	823	818
Effect of Rabbi Trust	1,244	1,335	391

Total number of shares outstanding-diluted	128,141	134,590	145,366

Diluted earnings per share	\$ 1.31	\$ 1.47	\$ 1.29
=====			

Options to purchase additional shares of common stock of 11,684,042 (at a price range of \$17.50 to \$23.88), 4,037,068 (at a price range of \$19.59 to \$23.88) and 2,886,768 (at a price range of \$19.72 to \$23.88) were outstanding at the end of 2000, 1999 and 1998, respectively, but were not included in the computation of diluted EPS because the options' exercise prices were greater than the average annual market price of the common shares. Shares held in the Rabbi Trust were included in basic and diluted shares outstanding until adoption of EITF 97-14 (as of September 30, 1998) at which point they were considered treasury stock and excluded from basic shares outstanding.

16. BUSINESS SEGMENT AND GEOGRAPHIC AREA DATA

The Company has four reportable business segments: Environmental Technologies, Process Technologies, Appearance and Performance Technologies, and Materials Services.

In the fourth quarter of 2000, the Company created a new technology segment called Appearance and Performance Technologies by combining the former Specialty Pigments and Additives and Paper Pigments and Additives segments. In addition, the Materials Services segment was created from the former Industrial Commodities Management segment. Certain historical segment data has been reclassified to conform with these internal organizational changes.

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The Environmental Technologies segment, located principally in the United States, Europe and South Africa, markets cost-effective compliance with environmental regulations enabled by sophisticated emission-control technologies and systems.

The Process Technologies segment, located principally in the United States and Europe, enables customers to make their processes more productive, efficient, environmentally sound and safer through the supply of advanced chemical-and polymerization-process catalysts and sorbents. In addition, the segment's advanced cracking and hydroprocessing technologies enable petroleum refiners to more efficiently produce gasoline, transportation fuels and heating oils.

The Appearance and Performance Technologies segment, located principally in the United States, South Korea and Finland, provides pigments and performance additives that enable its customers to market enhanced image and functionality in their products. The segment serves a broad array of end markets including coatings, plastics, cosmetics, construction and paper. The segment's products help customers improve the look, performance and overall cost of their products. This segment is also the internal supply source of precursors for the Company's petroleum catalysts.

The Materials Services segment, located principally in the United States, Europe and Japan, provides a full array of services to the Company's technology businesses and their customers who rely on certain precious and base metals as raw materials for their products. This is a distribution and materials services business that purchases and sells precious metals, base metals and related products and services. It does so under a variety of pricing and delivery arrangements structured to meet the logistical, financial and price-risk management requirements of the Company, its customers and suppliers. Additionally, it offers related services for precious-metal refining and produces salts and solutions.

Within the "All Other" category, sales to external customers are primarily from the Ventures and Engineered Materials businesses; operating earnings/(losses) are derived primarily from the Ventures and Engineered Materials businesses, the sale of inventory accounted for under the LIFO method, royalty income and other miscellaneous income and expense items not related to the reportable segments. In the second quarter of 1999, the Company sold its Engineered Materials business (metal-plating business).

The majority of Corporate expenses have been charged to the segments on either a direct-service basis or as part of a general allocation. Environmental Technologies and, to a much lesser extent, Process Technologies utilize metal in their factories in excess of that provided by customers. This metal is provided by Materials Services.

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The following table presents certain data by business segment:

BUSINESS SEGMENT INFORMATION (in millions)

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	Environmental Technologies	Process Technologies	Appearance and Performance Technologies	Materials Services	Reportable Segments Sub-total	All Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2000							
Net sales to external customers	\$636.7	\$566.6	\$684.4	\$3,614.2	\$5,501.9	\$ 40.7	\$5,542.6
Operating earnings/(loss), before special and other charges and HexCore impairment	131.8	86.5	80.2	129.3	427.8	(29.0) (a)	398.8
Fourth quarter special and other charges	(15.4)	(5.5)	(49.7)	-	(70.6)	(38.2)	(108.8)
Third quarter HexCore impairment charge	-	-	-	-	-	(24.6)	(24.6)
Operating earnings/(loss) as reported	116.4	81.0	30.5	129.3	357.2	(91.8)	265.4
Interest expense, net	-	-	-	-	-	62.6	62.6
Depreciation, depletion & amortization	21.6	28.2	51.0	1.5	102.3	14.8	117.1
Equity in earnings/(losses) of affiliates	6.6	-	(1.2) (b)	-	5.4	18.8	24.2
Total assets	492.8	540.1	825.0	790.2	2,648.1	518.7	3,166.8
Equity investments	15.7	-	-	-	15.7	178.2	193.9
Capital expenditures	40.2	30.5	45.9	1.0	117.6	19.0	136.6
1999							
Net sales to external customers	\$584.8	\$521.8	\$675.3	\$2,608.6	\$4,390.5	\$ 97.5	\$4,488.0
Operating earnings	102.4	81.9	86.9	39.6	310.8	5.0 (a)	315.8
Interest expense, net	-	-	-	-	-	56.6	56.6
Depreciation, depletion & amortization	18.7	28.1	51.1	1.9	99.8	11.8	111.6
Equity in earnings/(losses) of affiliates	3.0	-	(0.1)	-	2.9	13.4	16.3
Total assets	391.8	558.1	891.7	565.3	2,406.9	513.6	2,920.5
Equity investments	11.2	-	1.2	-	12.4	167.8	180.2
Capital expenditures	26.4	32.1	33.1	1.2	92.8	9.2	102.0
1998							
Net sales to external customers	\$549.7	\$506.7	\$655.1	\$2,346.9	\$4,058.4	\$188.2	\$4,246.6
Operating earnings	89.0	73.1	77.8	48.5	288.4	21.0 (a)	309.4
Interest expense, net	-	-	-	-	-	58.9	58.9
Depreciation, depletion & amortization	16.4	24.4	47.0	1.6	89.4	11.5	100.9
Equity in earnings/(losses) of affiliates	(0.5)	(1.2)	-	-	(1.7)	11.8	10.1
Total assets	343.4	567.6	867.6	611.5	2,390.1	476.2	2,866.3
Equity investments	5.2	0.7	1.3	-	7.2	146.4	153.6
Capital expenditures	25.2	27.4	53.0	3.6	109.2	7.3	116.5

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(a) Includes pretax gains on the sale of certain inventories accounted for under the LIFO method of \$3.9 million in 2000, \$3.4 million in 1999 and \$8.2 million in 1998.

(b) Includes pretax special and other charges of \$0.8 million.

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The following table presents certain data by geographic area:

GEOGRAPHIC AREA DATA (in millions)	2000	1999	1998
Net sales to external customers:			
United States	\$3,559.3	\$2,928.3	\$2,896.1
International	1,983.3	1,559.7	1,350.5
Total consolidated net sales to external customers	\$5,542.6	\$4,488.0	\$4,246.6
Property, plant and equipment, net:			
United States	\$ 679.2	\$ 788.4	\$ 791.6
International	88.5	83.5	84.9
Total property, plant and equipment, net	\$ 767.7	\$ 871.9	\$ 876.5

The Company's international operations are predominantly based in Europe.

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The following table reconciles segment operating earnings with earnings before income taxes as shown in the Company's "Consolidated Statements of Earnings:"

SEGMENT RECONCILIATIONS
(in millions)

	2000	1999	1998
Net sales to external customers:			
Net sales for reportable segments	\$5,501.9	\$4,390.5	\$4,058.4
Net sales for other business units	37.7 (a)	95.0	148.6
All other	3.0	2.5	39.6
Total consolidated net sales to external customers	\$5,542.6	\$4,488.0	\$4,246.6
Earnings before income taxes:			
Operating earnings for reportable segments	\$ 357.2	\$ 310.8	\$ 288.4
Operating (loss)/earnings for other business units	(35.6)	(1.7)	2.4
Special and other charges - Corporate	(28.3)	-	-
Other operating (loss)/earnings-Corporate	(27.9)	6.7	18.6
Total operating earnings	\$ 265.4	\$ 315.8	\$ 309.4
Interest expense, net	(62.6)	(56.6)	(58.9)
Equity in earnings of affiliates	24.2	16.3	10.1
Gain on sale of investments and land, net	18.7	8.6	-
Earnings before income taxes	\$ 245.7	\$ 284.1	\$ 260.6
Total assets			
Total assets for reportable segments	\$2,648.1	\$2,406.9	\$2,390.1
Assets for other business units	29.1	81.3	83.9
All other	489.6	432.3	392.3
Total consolidated assets	\$3,166.8	\$2,920.5	\$2,866.3

(a) Decrease primarily due to the sale of the metal-plating business in the second quarter of 1999.

An unaffiliated customer of the Environmental Technologies and Materials Services segments accounted for approximately \$830 million of the Company's net sales in 2000, approximately \$1,007 million of the Company's net sales in 1999 and approximately \$731 million of the Company's net sales in 1998.

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17. LEASE COMMITMENTS

The Company rents real property and equipment under long-term operating leases. Rental expense and sublease income for all operating leases are summarized as follows:

(IN MILLIONS)	2000	1999	1998
Minimum rentals	\$26.7	\$22.0	\$10.9
Less sublease income	(0.8)	(0.8)	(0.2)
Rent expense, net	\$25.9	\$21.2	\$10.7

Future minimum rental payments at December 31, 2000, required under noncancellable operating leases, having initial or remaining lease terms in excess of one year, are as follows:

(IN MILLIONS)

2001	\$ 25.5
2002	25.4
2003	22.4
2004	20.3
2005	15.7
Thereafter	83.8
Total minimum lease payments	193.1
Less: minimum sublease income	(3.1)
Net minimum lease payments	\$190.0

In 1998, the Company entered into a sale-leaseback transaction for property that served as the principal executive and administrative offices of the Company and its operating business. The term of the lease is twenty years. In 2000, the Company entered into a sale-leaseback transaction for machinery and equipment that is used in the Process Technologies segment. The term of the lease is five years.

18. ENVIRONMENTAL COSTS

With the oversight of environmental agencies, the Company is currently preparing, has under review, or is implementing environmental investigations and cleanup plans at several currently or formerly owned and/or operated sites, including Plainville, Massachusetts and Salt Lake City, Utah. The Company is continuing to investigate contamination at Plainville under a 1993 agreement with the United States Environmental Protection Agency (EPA) and is awaiting approval of a decommissioning plan by the State of Massachusetts under authority delegated by the Nuclear Regulatory Commission. Investigation of the environmental status at the Salt Lake City site continues under a 1993 agreement with the Utah Solid and Hazardous Waste Control Board.

In addition, as of December 31, 2000, eleven sites have been identified at which the Company believes liability as a potentially responsible party (PRP) is probable under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or similar state laws (collectively referred to as Superfund) for the cleanup of contamination resulting from the historic disposal of hazardous substances allegedly generated by the Company, among others. Superfund imposes strict, joint and several liability under certain circumstances. In many cases, the dollar amount of the claim is unspecified and claims have been asserted against a number of other entities for the same relief sought from the Company. Based on existing information, the Company believes that it is a de minimis contributor of hazardous substances at a number of the sites referenced above. Subject to the reopening of existing settlement agreements for extraordinary circumstances or natural resource damages, the Company has settled a number of other cleanup proceedings. The Company has also responded to information requests from EPA and state regulatory authorities in connection with other Superfund sites.

The accruals for environmental cleanup-related costs recorded in the consolidated balance sheets at December 31, 2000 and 1999 were \$24.7 million and \$31.3 million, respectively, including \$0.6 million and \$0.8 million, respectively, for Superfund sites. These amounts represent those costs that the Company believes are probable and reasonably estimable. Based on currently available information and analysis, the Company's accrual represents approximately 46% of what it believes are the reasonably possible environmental cleanup-related costs of a noncapital nature. The estimate of reasonably possible costs is less certain than the probable estimate upon which the accrual is based.

Cash payments for environmental cleanup-related matters were \$1.7 million, \$2.4 million and \$4.1 million for 2000, 1999 and 1998, respectively. The amounts accrued in connection with environmental cleanup-related matters were not significant over this time period.

For the past three-year period, environmental-related capital projects have averaged less than 10 percent of the Company's total capital expenditure programs; and the expense of environmental compliance (e.g. environmental testing, permits, consultants and in-house staff) was not material.

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There can be no assurances that environmental laws and regulations will not become more stringent in the future or that the Company will not incur significant costs in the future to comply with such laws and regulations. Based on existing information and currently enacted environmental laws and regulations, cash payments for environmental cleanup-related matters are projected to be \$5.8 million for 2001, which has already been accrued. Further, the Company anticipates that the amounts of capitalized environmental projects and the expense of environmental compliance will approximate current levels. While it is not possible to predict with certainty, Management believes environmental cleanup-related reserves at December 31, 2000 are reasonable and adequate, and environmental matters are not expected to have a material adverse effect on financial condition. These matters, if resolved in a manner different from the estimates, could have a material adverse effect on the Company's operating results or cash flows.

19. LITIGATION AND CONTINGENCIES

Various lawsuits, claims and proceedings are pending against the Company.

The Company is one of a number of defendants in numerous proceedings that allege that the plaintiffs contracted cancer and/or suffered other injuries from exposure to "toxic" substances purportedly supplied by the Company and other defendants. The Company is also subject to a number of environmental contingencies (see Note 18, "Environmental Costs" for further detail) and is a defendant in a number of lawsuits covering a wide range of other matters. In some of these matters, the remedies sought or damages claimed are substantial. While it is not possible to predict with certainty the ultimate outcome of these lawsuits or the resolution of the environmental contingencies, Management believes, after consultation with counsel, that resolution of these matters is not expected to have a material adverse effect on financial condition. These matters, if resolved in a manner different from Management's current expectations, could have a material adverse effect on the Company's operating results or cash flows.

In 1998, Management learned that Engelhard and several other companies operating in Japan had been victims of a fraudulent scheme involving base-metal inventory held in third-party warehouses in Japan. The inventory loss was approximately \$40 million in 1997 and \$20 million in 1998. The Company is vigorously pursuing various recovery actions. These actions include negotiations with the various third parties involved and, in several instances, the commencement of litigation. In the first quarter of 1998, Engelhard recorded a receivable from the insurance carriers and third parties of approximately \$20 million. This amount represents Management's and counsel's best estimate of the minimum probable recovery from the various insurance policies and other parties involved in the fraudulent scheme.

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The Company is involved in a value-added tax dispute in Peru. Management believes the Company was targeted by corrupt officials within the former Peruvian Government. On December 2, 1999, Engelhard Peru, S.A., a wholly owned subsidiary, was denied refund claims of approximately \$28 million. The Peruvian tax authority also determined that Engelhard Peru, S.A. is liable for approximately \$63 million in refunds previously paid, fines and interest as of December 31, 1999. Interest and fines continue to accrue at rates established by Peruvian law. Engelhard Peru, S.A. is contesting these determinations vigorously, and Management believes, based on consultation with counsel, that Engelhard Peru, S.A. is entitled to all refunds claimed and is not liable for these additional taxes, fines or interest. In late October 2000, a criminal proceeding alleging tax fraud and forgery related to this value-added tax dispute was initiated against two Lima-based officials of Engelhard Peru, S.A. Although Engelhard Peru, S.A. is not a defendant, it may be civilly liable for criminal conduct of its representatives and Engelhard Peru is assisting in the vigorous defense of this proceeding. Management believes the maximum economic exposure is limited to the aggregate value of all assets of Engelhard Peru, S.A., including unpaid refunds, which is approximately \$30 million.

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20. SUPPLEMENTAL INFORMATION

The following table present certain supplementary information to the Company's "Consolidated Statements of Cash Flows:"

SUPPLEMENTARY CASH FLOW INFORMATION (in millions)

	2000	1999	1998
Cash paid during the year for:			
Interest	\$ 61.7	\$ 58.7	\$ 49.6
Income taxes	60.9	65.3	57.6
Change in assets and liabilities -- source(use):			
Special and other charges	\$ 133.4	\$ -	\$ -
Receivables	(79.4)	(18.1)	(41.1)
Committed metal positions	(143.4)	98.1	(98.0)
Inventories	(22.7)	(9.7)	23.9
Other current assets	(29.7)	(41.5)	(29.5)
Other noncurrent assets	(13.2)	(5.7)	21.8
Accounts payable	(26.8)	18.5	41.4
Accrued liabilities	121.1	24.8	(7.6)
Noncurrent liabilities	(6.0)	(4.1)	(14.1)
Net change in assets and liabilities	\$ (66.7)	\$ 62.3	\$ (103.2)

The following tables present certain supplementary information to the Company's "Consolidated Balance Sheets:"

SUPPLEMENTARY BALANCE SHEET INFORMATION

Other current assets (in millions)

	2000	1999
Prepaid insurance	\$ 6.4	\$ 6.1
Current deferred taxes	116.8	65.0
Other	32.8	50.6
Other current assets	\$156.0	\$121.7

Other current liabilities (in millions)

	2000	1999
Income taxes payable	\$156.5	\$ 87.8
Payroll-related accruals	69.9	54.5
Deferred income	6.7	16.8
Interest payable	9.7	12.7
Restructuring and other reserves	34.6	9.1
Environmental accrual	5.7	5.8
Refining reserves	8.3	3.8
Rebates	3.7	4.4
Other	132.1	74.1
Other current liabilities	\$427.2	\$269.0

Reports of Independent Accountants

To the Shareholders and Board of Directors of Engelhard Corporation:

We have audited the accompanying consolidated balance sheets of Engelhard Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Engelhard Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/Arthur Andersen LLP

Arthur Andersen LLP
New York, New York
February 1, 2001

<PAGE>

To the Shareholders and Board of Directors of Engelhard Corporation:

In our opinion, the consolidated statement of earnings, shareholders' equity and cash flows for the period ended December 31, 1998, present fairly, in all material respects, the financial position, results of operations and cash flows of Engelhard Corporation at December 31, 1998 and for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of Engelhard Corporation for any period subsequent to December 31, 1998.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

February 4, 1999

<PAGE>

<TABLE>

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SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (\$ in millions, except per-share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter
<S>	<C>	<C>	<C>	<C>
2000				
Net sales	\$1,183.8	\$1,419.6	\$1,396.9	\$1,542.3
Gross profit	192.0	184.0	166.7	187.5
Earnings/(loss) before income taxes	84.7	87.4	77.5	(3.9)
Net earnings/(loss)	58.0	59.9	51.3	(0.9)
Basic earnings/(loss) per share	0.46	0.47	0.41	(0.01)
Diluted earnings/(loss) per share	0.45	0.47	0.40	(0.01)
1999				
Net sales	\$1,090.6	\$1,224.2	\$1,037.5	\$1,135.7
Gross profit	146.0	174.6	150.8	172.7
Earnings before income taxes	58.3	80.8	73.4	71.6
Net earnings	40.6	56.2	51.0	49.7
Basic earnings per share	0.28	0.42	0.41	0.40
Diluted earnings per share	0.28	0.41	0.40	0.39

<FN>

Results in first quarter of 2000 include a loss of \$6.0 million (\$4.1 million after tax) associated with the divestiture of the Company's International Dioxide, Inc. (IDI) business unit and a gain of \$3.8 million (\$2.5 million after tax) related to the partial liquidation of precious metal inventories of Engelhard-CLAL.

Results in the second quarter of 2000 include a gain of \$2.9 million (\$1.9 million after tax) related to the partial liquidation of precious metal inventories of Engelhard-CLAL.

Results in the third quarter of 2000 include a gain of \$24.8 million (\$17.0 million after tax) on the sale of the Company's metal-joining products business located in Warwick, Rhode Island. In addition, the Company recorded an impairment charge of \$24.6 million (\$16.9 million after tax) related to the write-down of goodwill and fixed assets of the Company's HexCore business unit.

Results in the fourth quarter of 2000 include special and other charges of \$109.6 million (\$75.1 million after tax) for a variety of events (see Note 4, "Special and Other Charges" for further detail) and a gain of \$3.9 million (\$2.5 million after tax) on the sale of inventory accounted for under the LIFO method.

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Results in the first quarter of 1999 include a gain of \$1.0 million (\$0.7 million after tax) on the sale of the Company's investment in Acreon Catalysts and a gain of \$1.2 million (\$0.8 million after tax) resulting from the settlement of treasury lock positions.

Results in the second quarter of 1999 include a gain of \$9.3 million (\$6.5 million after tax) on the sale of the Company's metal-plating business and a gain of \$1.8 million (\$1.3 million after tax) related to the partial liquidation of precious metal inventories of Engelhard-CLAL. In addition, the Company recorded a loss of \$4.6 million (\$3.2 million after tax) as the carrying value of its investment in Engelhard Highland Private Ltd. venture was reduced to its estimated net realizable value of \$1.0 million.

Results in the third quarter of 1999 include a gain of \$1.1 million (\$0.7 million after tax) on the sale of the Company's Mearlcrete concrete foaming agent business, a gain of \$1.8 million (\$1.3 million after tax) on the sale of land and certain mineral rights located in Talladega County, Alabama and a gain of \$3.0 million (\$2.1 million after tax) resulting from the settlement of treasury lock positions.

Results in the fourth quarter of 1999 include a gain of \$3.4 million (\$2.2 million after tax) on the sale of inventory accounted for under the LIFO method. In addition, the Company reduced net interest expense by \$2.9 million (\$2.0 million after tax) resulting from the settlement of treasury lock positions.

The Company adopted Emerging Issues Task Force (EITF) 00-10, "Accounting for Shipping and Handling Fees and Costs," in the fourth quarter of 2000. To conform with the newly adopted standard, certain previously reported amounts have been reclassified (see revenue recognition section of Note 1, "Summary of Significant Accounting Policies" for further detail).

Basic and diluted earnings per share are calculated independently for each of the quarters presented.

The sum of the quarters may not equal the full-year earnings-per-share amounts.

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</TABLE>

Item 9. Changes in and Disagreements with
 Accountants on Accounting and Financial Disclosure

 Not applicable

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Directors -

Information concerning directors of the Company is included under the caption "Election of Directors", "Information with Respect to Nominees and Directors Whose Terms Continue", "Share Ownership of Directors and Officers", and "Board of Directors' Meetings, Committees and Fees" in the Proxy Statement for the 2001 Annual Meeting of Shareholders and is incorporated herein by reference.

(b) Executive Officers -

ARTHUR A. DORNBUSCH, II	Age 57. Vice President, General Counsel and Secretary of the Company from prior to 1994.
MARK DRESNER	Age 49. Vice President of Corporate Communications effective December 17, 1998. Director of Corporate Communications from October 1995 to December 1998.
JOHN C. HESS	Age 48. Vice President, Human Resources effective August 1, 1997. Director of Human Resources for the Process Technologies Group (formerly the Chemical Catalyst Group) from November 1995 to July 1997.
PETER B. MARTIN	Age 61. Vice President, Investor Relations effective June 18, 1997. Vice President, Investor Relations, W.R. Grace & Company prior thereto.
BARRY W. PERRY *	Age 54. Chairman and Chief Executive Officer of the Company since January 2001. President and Chief Operating Officer effective February 1, 1997. Group Vice President and General Manager of the Appearance and Performance Technologies Group (formerly the Pigments and Additives Group) prior thereto. Mr. Perry is also a director of Arrow Electronic, Inc.
PETER R. RAPIN	Age 46. Treasurer effective July 8, 1998. Assistant Treasurer from July 1995 to July 1998.
MICHAEL A. SPERDUTO	Age 43. Controller of the Company effective August 5, 1999. Vice President-Finance from July 8, 1998 to August 1999. Treasurer prior thereto.

* Also a director of the Company

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Officers of the Company are elected at the meeting of the Board of Directors held in May of each year after the annual meeting of shareholders and serve until their successors shall be elected and qualified and shall serve as such at the pleasure of the Board.

Item 11. Executive Compensation

Information concerning executive compensation is included under the captions "Executive Compensation and Other Information", "Pension Plans," "Employment Contracts, Termination of Employment and Change in Control Arrangements" and the "Performance Graph" of the Proxy Statement for the 2001 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain
Beneficial Owners and Management

Information concerning security ownership of certain beneficial owners and management is included under the captions "Information as to Certain Shareholders" and "Share Ownership of Directors and Officers" of the Proxy Statement for the 2001 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships
and Related Transactions

Information concerning certain business relationships of nominees for director and directors and related transactions is included under the caption "Certain Transactions" of the Proxy Statement for the 2001 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	Pages
-----	-----	-----
(a)	(1) Financial Statements and Schedules	
	Reports of Independent Accountants	62-63
	Consolidated Statements of Earnings for each of the three years in the period ended December 31, 2000	26
	Consolidated Balance Sheets at December 31, 2000 and 1999	27
	Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2000	28
	Consolidated Statements of Shareholders' Equity for each of the three years in the period ended December 31, 2000	29
	Notes to Consolidated Financial Statements	30-61
	(2) Financial Statement Schedules	
	Consolidated financial statement schedules not filed herein have been omitted either because they are not applicable or the required information is shown in the Notes to Consolidated Financial Statements in this Form 10-K.	
(b)	In a report on Form 8-K filed with the Securities and Exchange Commission on February 22, 2000, the Company reported that it changed its Certifying Accountant.	*

Exhibits		Page
-----		-----
(3) (a)	Certificate of Incorporation of the Company (incorporated by reference to Form 10, as amended on Form 8-K filed with the Securities and Exchange Commission on May 19, 1981).	*
(3) (b)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company (incorporated by reference to Form 10-K for the year ended December 31, 1987).	*

* Incorporated by reference as indicated.

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Exhibits

Pages

- (3) (c) Certificate of Amendment to the Restated Certificate of Incorporation of the Company (incorporated by reference to Form 10-Q for the quarter ended March 31, 1993). *
- (3) (d) Amendment to the Restated Certificate of Incorporation of the Company, filed with the State of Delaware, Office of the Secretary of State on May 2, 1996 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on May 14, 1996). *
- (3) (e) By-laws of the Company as amended June 12, 1997 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 13, 1997). *
- (3) (f) Article II of the By-laws of the Company as amended December 17, 1998 (incorporated by reference to Form S-8 filed with the Securities and Exchange Commission on January 29, 1999). *
- (3) (g) Certificate of Designation relating to Series A Junior Participating Preferred Stock, filed with the State of Delaware, Office of the Secretary of State on November 12, 1998. *
- (3) (h) Article II, Section 8 of the By-Laws of the Company as amended March 1, 2001. 77-78
- (10) (a) Form of Agreement of Transfer entered into between Engelhard Minerals & Chemicals Corporation and the Company, dated May 18, 1981 (incorporated by reference to Form 10, as amended on Form 8 filed with the Securities and Exchange Commission on May 19, 1981). *
- (10) (b) Retirement Plan for Directors of Engelhard Corporation Effective January 1, 1985 - conformed copy includes amendments through June 1991 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). *

* Incorporated by reference as indicated.

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Exhibits

Page

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| ----- | ----- |
| (10) (c) Deferred Compensation Plan for Key Employees of Engelhard Corporation Effective August 1, 1985 - conformed copy includes amendments through December 1993 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (d) Engelhard Corporation Directors and Executives Deferred Compensation Plan (1986-1989) - conformed copy includes amendments through December 1993 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (e) Key Employees Stock Bonus Plan of Engelhard Corporation Effective July 1, 1986 - conformed copy includes amendments through June 1992 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (f) Stock Bonus Plan for Non-Employee Directors of Engelhard Corporation Effective July 1, 1986 - conformed copy includes amendments through June 1992 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (g) Deferred Compensation Plan for Directors of Engelhard Corporation Restated as of May 7, 1987 - conformed copy includes amendments through December 1993 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (h) Supplemental Retirement Program of Engelhard Corporation as Amended and Restated Effective January 1, 1989 - conformed copy includes amendments through November 1994 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |
| (10) (i) Engelhard Corporation Directors and Executives Deferred Compensation Plan (1990-1993) - conformed copy includes amendments through November 1993 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 22, 1996). | * |

* Incorporated by reference as indicated.

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Exhibits

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| (10)(j) Engelhard Corporation Directors Stock Option Plan Effective May 4, 1995 (incorporated by reference to the 1995 definitive Proxy Statement filed with the Securities and Exchange Commission on March 31, 1995). | * |
| (10)(k) Amendments to the Key Employee Stock Bonus Plan of Engelhard Corporation adopted March 7, 1996 (incorporated by reference to the 1996 definitive Proxy Statement filed with the Securities and Exchange Commission on March 29, 1996). | * |
| (10)(l) Amendments to the Stock Bonus Plan for Non-Employee Directors of Engelhard Corporation adopted March 7, 1996 (incorporated by reference to the 1996 definitive Proxy Statement filed with the Securities and Exchange Commission on March 29, 1996). | * |
| (10)(m) Amendment to the Supplemental Retirement Program of Engelhard Corporation adopted December 19, 1996 (incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 27, 1997). | * |
| (10)(n) Amendment to the Deferred Compensation Plan for Key Employees of Engelhard Corporation, adopted April 3, 1997 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on May 14, 1997). | * |
| (10)(o) Change in Control Agreement (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 13, 1998). | * |

* Incorporated by reference as indicated.

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Exhibits	Page
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(10) (p) Amendment to Key Employees Deferred Compensation Plan, effective August 6, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 13, 1998).	*
(10) (q) Amendment to Supplemental Retirement Program of Engelhard Corporation, effective June 11, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 13, 1998).	*
(10) (r) Engelhard Corporation Stock Option Plan of 1991 - conformed copy includes amendments through September 1998.	*
(10) (s) Rights Agreement, dated as of October 1, 1998 between the Company and ChaseMellon Shareholder Services, l.l.c., as Rights Agent (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on October 29, 1998).	*
(10) (t) Amendment to Key Employees Stock Bonus Plan of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10) (u) Amendment to Supplemental Retirement Program of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10) (v) Amendment to Engelhard Corporation Directors and Executives Deferred Compensation Plan (1986-1989), effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10) (w) Amendment to Engelhard Corporation Directors and Executives Deferred Compensation Plan (1990-1993), effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10) (x) Amendment to Deferred Compensation Plan For Key Employees of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
10) (y) Amendment to Deferred Compensation Plan For Directors of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*

* Incorporated by reference as indicated.

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Exhibits

Pages

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(10)(z)	Amendment to Retirement Plan For Directors of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10)(aa)	Amendment to Stock Bonus Plan For Non-Employee Directors of Engelhard Corporation, effective October 1, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10)(ab)	Amendment to Deferred Compensation Plan for Key Employees of Engelhard Corporation, effective August 6, 1998 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 13, 1998).	*
(10)(ac)	Engelhard Corporation Deferred Stock Plan for Nonemployee Directors, effective May 6, 1999 (incorporated by reference to the 1998 definitive Proxy Statement filed with the Securities and Exchange Commission on March 31, 1999).	*
(10)(ad)	Credit Agreement dated as of April 10, 1997 (incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on May 14, 1997).	*
(10)(ae)	Amendment to Key Employees Stock Bonus Plan of Engelhard Corporation, effective December 16, 1999.	*
(10)(af)	Amendment to Engelhard Corporation Stock Option Plan of 1991, effective December 16, 1999.	*
(10)(ag)	Engelhard Corporation Stock Option Plan of 1999 for Certain Key Employees, effective December 16, 1999.	*

<PAGE>

(10) (ah)	Amendment to Engelhard Corporation Stock Option Plan of 1999 For Certain Key Employees (non section 16 (B) Officers), effective February 1, 2001.	79-80
(10) (ai)	Amendment to Engelhard Corporation Stock Option Plan of 1991, effective February 1, 2001.	81-82
(10) (aj)	Amendment to Engelhard Corporation Stock Option Plan of 1999 For Certain Key Employees (Non Section 16 (B) Officers), effective March 1, 2001.	83-84
(10) (ak)	Amendment to Engelhard Corporation Stock Option Plan of 1991, effective March 1, 2001.	85-86
(10) (al)	Amendment to Engelhard Corporation Directors Stock Option Plan, effective March 1, 2001.	87-88
(10) (am)	Supplemental Retirement Trust Agreement, effective December, 1998.	89-99
(10) (an)	Annual Restricted Cash Incentive Compensation Plan, effective December 15, 2000.	100-105
(10) (ao)	Deferred Compensation Plan For Key Employees of Engelhard Corporation effective August 1, 1985 - conformed copy includes amendments through February 2001.	106-113
(10) (ap)	Amendment to Retirement Plan For Directors of Engelhard Corporation, effective April 2000.	114-115
(12)	Computation of the Ratio of Earnings to Fixed Charges.	116-117
(21)	Subsidiaries of the Registrant.	118-120
(23)	Consent of Independent Accountants.	121-123
(24)	Powers of Attorney.	124-131

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Iselin, New Jersey on the 30th day of March 2001.

Engelhard Corporation

Registrant

/s/Barry W. Perry

Barry W. Perry
(Chairman and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ Barry W. Perry ----- Barry W. Perry	Chairman and Chief Executive Officer & Director (Principal Executive Officer)	March 30, 2001
/s/ Michael A. Sperduto ----- Michael A. Sperduto	Controller (Chief Accounting Officer)	March 30, 2001

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* ----- Marion H. Antonini	Director	March 30, 2001
* ----- James V. Napier	Director	March 30, 2001
* ----- Norma T. Pace	Director	March 30, 2001
* ----- Orin R. Smith	Director	March 30, 2001
* ----- Reuben F. Richards	Director	March 30, 2001
* ----- Henry R. Slack	Director	March 30, 2001
* ----- Douglas G. Watson	Director	March 30, 2001

* By this signature below, Arthur A. Dornbusch, II has signed this Form 10-K as attorney-in-fact for each person indicated by an asterisk pursuant to duly executed powers of attorney filed with the Securities and Exchange Commission included herein as Exhibit 24.

/s/ Arthur A. Dornbusch, II

Arthur A. Dornbusch, II

March 30, 2001

DOCUMENT 2

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "ENGELHARD CORPORATION" AS RECEIVED AND FILED IN THIS OFFICE

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE TWENTY-EIGHTH DAY OF NOVEMBER, A.D. 1938, AT 1 O'CLOCK P.M.

RESTATED CERTIFICATE, CHANGING ITS NAME FROM "POROCEL CORPORATION" TO "ENGELHARD CORPORATION", FILED THE TWENTY-THIRD DAY OF APRIL, A.D. 1981, AT 4 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE EIGHTH DAY OF MAY, A.D. 1987, AT 10 O'CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-FIFTH DAY OF NOVEMBER, A.D. 1992, AT 3 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE FIRST DAY OF JANUARY, A.D. 1993.

CERTIFICATE OF AMENDMENT, FILED THE SEVENTH DAY OF MAY, A.D. 1993, AT 1:30 O'CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE SECOND DAY OF MAY, A.D.



A handwritten signature in cursive script, reading "Edward J. Freel".

Edward J. Freel, Secretary of State

0367803 8100H

001230548

AUTHENTICATION:

0422038

DATE:

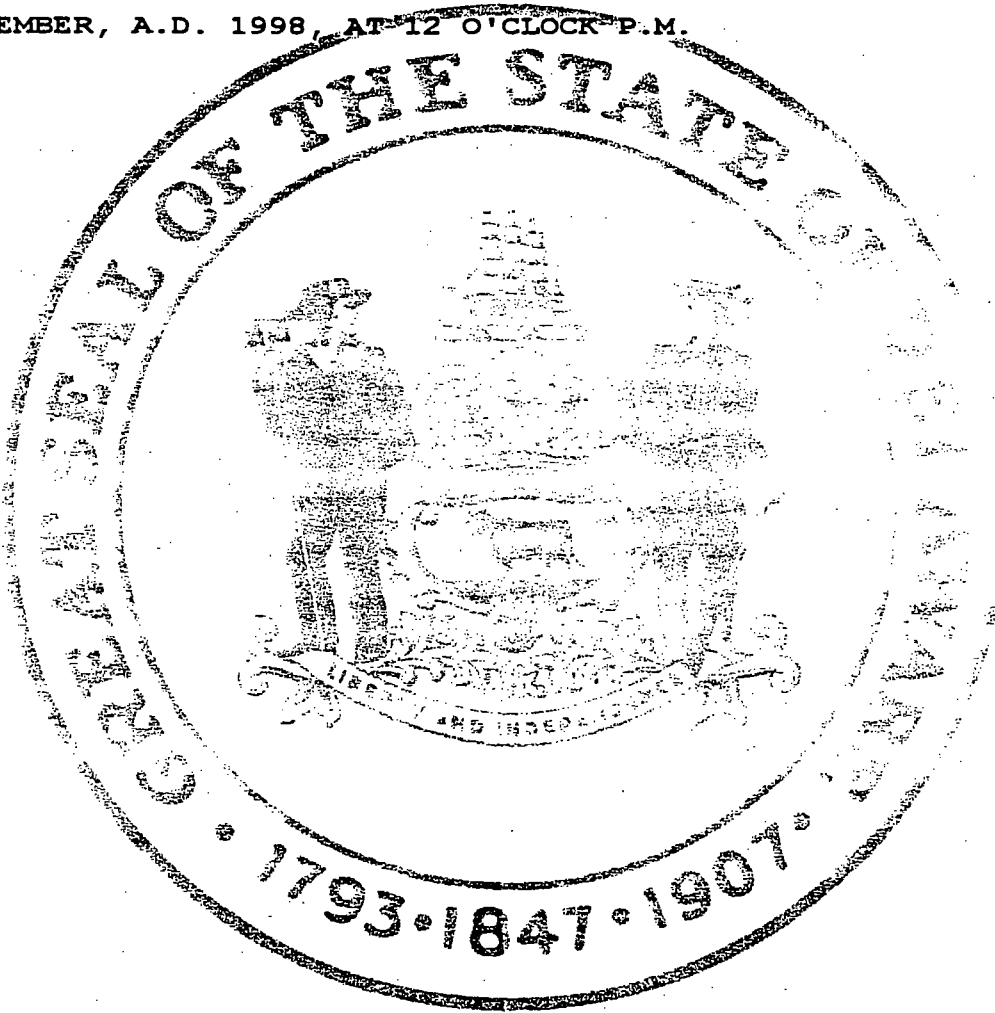
05-05-00

State of Delaware
Office of the Secretary of State

PAGE 2

1996, AT 4 O'CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE TWELFTH DAY OF
NOVEMBER, A.D. 1998, AT 12 O'CLOCK P.M.



Edward J. Freel

Edward J. Freel, Secretary of State

0367803 8100H

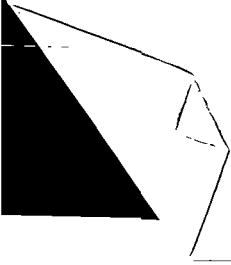
001230548

AUTHENTICATION:

DATE:

0422038

05-05-00



OF

EXHIBIT A

POROCEL CORPORATION

Under Section 245 and 242

of the

Delaware General Corporation Law

We, Irving D. Isko, President and Charles L. Gifford, Secretary of POROCEL CORPORATION, do hereby certify under the seal of said corporation as follows:

1. That the name of the corporation is POROCEL CORPORATION.
2. That the certificate of incorporation of the corporation was filed by the Secretary of State, Dover, Delaware, on the 28th day of November, 1938.
3. The amendments to the certificate of incorporation effected by this certificate are to change the name of the corporation and to comprehensively amend each and every term of the certificate of incorporation.
4. The amendment(s) and the restatement of the certificate of incorporation have been duly adopted in accordance with the provisions of the General Corporation Law of the State of Delaware by the unanimous written consent of the holders of all outstanding shares entitled to vote.
5. That the text of the certificate of incorporation of said POROCEL CORPORATION, as amended, is hereby restated, as further amended by this certificate, to read in full, as follows:

RESTATED CERTIFICATE OF INCORPORATION
OF
ENGELHARD CORPORATION

FIRST: The name of the Corporation is ENGELHARD CORPORATION.

SECOND: The registered office of the Corporation in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock that may be issued by the Corporation is 65,000,000, of which 5,000,000 shares, without par value, shall be Preferred Stock (hereinafter in this Article FOURTH referred to as "Preferred Stock"), and of which 60,000,000 shares, par value of \$1 per share, shall be Common Stock. Shares of the stock of any class of the Corporation may be issued by the Corporation from time to time for such legally sufficient consideration as may be fixed from time to time by the Board of Directors. Any and all shares so issued for which the consideration is so fixed has been paid or delivered to the Corporation and shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of said shares shall not be liable for any further payments in respect of such shares.

the consent or approval of the holders of at least two-thirds of the number of outstanding shares of Preferred Stock as a class; or (5) effect the voluntary liquidation, dissolution or winding up of the Corporation, or the sale, lease, exchange of all or substantially all of the assets, property or business of the Corporation, or the merger or consolidation of the Corporation with or into any other corporation (except a wholly-owned subsidiary of the Corporation); provided, however, that no separate vote of the holders of the Preferred Stock as a class shall be required in the case of a merger or consolidation or a sale, exchange or conveyance of all or substantially all of the assets, property or business of the Corporation (such transactions being hereinafter in this proviso referred to as a "reorganization") if (x) the resulting, surviving or acquiring corporation will have after such reorganization no stock either authorized or outstanding (except such stock of the Corporation as may have been authorized or outstanding immediately precedent such reorganization, or such stock of the resulting, surviving or acquiring corporation as may be issued in exchange therefor) ranking prior to, or on a parity with, the Preferred Stock or the stock of the resulting, surviving or acquiring corporation issued in exchange therefor and (y) each holder of shares of Preferred Stock immediately preceding such reorganization will receive in exchange therefor the same number of shares of stock, with substantially the same preferences, rights and powers, of the resulting, surviving, or acquiring corporation.

So long as any shares of Preferred Stock shall be outstanding and unless the consent or approval of a greater number of shares shall then be required by law, without first obtaining the consent or approval of the holders of a majority of the number of such shares at the time outstanding, given in person or by proxy at a meeting at which the holders of such shares shall be entitled to vote separately as a class, the Corporation shall not amend the provisions of its Certificate of Incorporation so as to increase the amount of the authorized Preferred Stock or so as to authorize any other stock ranking on a parity with the Preferred Stock either as to payment of dividends or upon liquidation.

PART II. Provisions Applicable To Common Stock

(a) After the requirements in respect of dividends upon the Preferred Stock, as hereinbefore set forth, to the end of the then current quarterly dividend period for said stock, shall have been met, the holders of the Common Stock shall be entitled to receive out of any remaining net profits or net assets of the Corporation available for dividends, such dividends as may from time to time be declared by the Board of Directors, and the holders of the Common Stock shall be entitled to share ratably in any dividends so declared to the exclusion of the holders of the Preferred Stock.

(b) In the event of any liquidation or dissolution or winding up of the Corporation (whether voluntary or involuntary), after payment in full of the amounts hereinbefore stated to be payable in respect of the Preferred Stock, the holders of the Common Stock shall be entitled, to the exclusion of the holders of the Preferred Stock, to share ratably in all the assets of the Corporation then remaining.

(c) Except as otherwise provided in this Certificate of Incorporation or as otherwise made mandatory by law, each holder of Common Stock shall be entitled to one vote for each full share of such stock then outstanding and of record in his name on the books of the Corporation and the holders of the Common Stock shall vote together with the holders of any series of Preferred Stock who are entitled to vote in such manner and the holders of any other class of stock of the Corporation who are entitled to vote in such manner, and not as a separate class.

FIFTH: (a) The Board of Directors shall consist of no fewer than six and no more than twelve directors. In case of any increase in the number of directors, the additional directors shall be chosen as may be prescribed in the By-Laws of the Corporation.

(b) The Board of Directors shall be divided into three classes, Class I, Class II and Class III, with respect to their terms of office. All classes shall be as nearly equal in number as possible, and no class shall include less than two directors. Subject to such limitations, when the number of directors is changed, any newly-created directorships or any decrease in directorships shall be apportioned among the classes by action of the Board of Directors or the stockholders.

(c) The terms of office of the directors initially classified shall be as follows: that of Class I shall expire at the Annual Meeting of stockholders to be held in 1982; that of Class II shall expire at the Annual Meeting of stockholders to be held in 1983; and that of Class III shall expire at the Annual Meeting of stockholders to be held in 1984. At each Annual Meeting of stockholders after such initial classification, directors to replace those whose terms expire at such Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting.

SIXTH: In furtherance and not in limitation of the general powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to make, alter, or repeal the By-Laws of the Corporation in a manner not inconsistent with the laws of Delaware.

SEVENTH: (a) Subject to the provisions of any series of Preferred Stock which may at the time be outstanding, notwithstanding any other provisions of this Certificate of Incorporation and except as set forth in subdivision (b) of this Article SEVENTH, if any of the following transactions are proposed to be entered into with a "five percent beneficial owner" (as defined in subdivision (c) hereof), the affirmative vote or consent of the holders of not less than eighty percent (80%) of the outstanding shares of Common Stock of the Corporation (including at least fifty percent (50%) of the outstanding shares of Common Stock held by stockholders other than a five percent beneficial owner) shall be required:

a. to adopt any agreement for, or to approve, the merger or consolidation of the Corporation or any subsidiary (as defined in subdivision (c) hereof) with or into a five percent beneficial owner;

b. to authorize any sale, lease, transfer, exchange, mortgage, pledge, or other disposition to a five percent beneficial owner of all or any portion of the assets of the Corporation or any subsidiary, other than in the ordinary course of business;

c. to authorize the issuance or transfer by the Corporation or any subsidiary of any voting securities of the Corporation or any subsidiary in exchange or payment for the securities or assets (including cash) of a five percent beneficial owner.

(b) The provisions of subdivision (a) of this Article SEVENTH shall not apply to (i) any transaction described therein if the Board of Directors by resolution shall have approved an agreement with such five percent beneficial owner setting forth the principal terms of such transaction and such transaction is substantially consistent therewith, provided that a majority of those members of the Board of Directors voting in favor of the resolution approving the agreement were duly elected and acting members of the Board of Directors prior to the time such five percent beneficial owner first became such a beneficial owner or (ii) any transaction described therein if the transaction is solely between this Corporation and another corporation, fifty percent (50%) or more of the voting stock of which is owned by this Corporation and none of which is owned by a five percent beneficial owner; provided that each stockholder of this Corporation receives the same type of consideration in such transaction in proportion to his stockholdings.

(c) As used in this Article SEVENTH:

A. Any specified person shall be deemed to be the "beneficial owner" of shares of stock of the Corporation (i) which such specified person or any of its affiliates or associates (as such terms are hereinafter defined) owns, directly or indirectly, whether of record or not, (ii) which such specified person or any of its affiliates or associates has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, (iii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clauses (i) and (ii) above) by any other person with which such specified person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of stock of the Corporation, or (iv) which such specified person or any of its affiliates or associates has the right to acquire by reason of tenders of shares submitted to them by other shareholders of the Corporation in connection with or pursuant to a tender offer made by such specified person or any of its affiliates or associates;

B. a "subsidiary" is any corporation at least fifty percent (50%) of the voting securities of which are owned, directly or indirectly, by this Corporation;

C. a "person" is any individual, corporation, partnership or other entity;

D. an "affiliate" of a specified person is any person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the specified person;

E. an "associate" of a specified person is (i) any corporation or organization of which such specified person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (ii) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar capacity, or (iii) any relative or spouse of such specified person, or any relative of such spouse, who has the same home as such specified person or who is a director or officer of any corporation which is an affiliate of such specified person; and

F. a "five percent beneficial owner" is any person who is the beneficial owner of five percent (5%) or more of the outstanding shares of the Corporation entitled to vote in elections of directors, such determination to be made as of the record date of shareholders entitled to receive notice of, and to vote on or consent to, any of the transactions set forth above in subdivision (a) of this Article SEVENTH, provided, however, that any person who first became the beneficial owner of such five percent or shares of the Corporation solely as a result of a distribution of the Corporation's Common Stock to the holders of Common Stock of Engelhard Minerals & Chemicals Corporation shall not be deemed to be a "five percent beneficial owner" for purposes of this Article SEVENTH.

(d) For purposes of determining whether a person is a five percent beneficial owner, the outstanding shares of the Corporation shall include shares deemed owned through application of clauses (i), (ii), (iii) and (iv) of subdivision (c)A. above, but shall not include any other shares which may be issuable to others pursuant to any agreement or upon exercise of conversion rights, warrants, or options.

(e) The Board of Directors shall have the power and duty to determine, for purposes of this Article SEVENTH, on the basis of information known to such Board,

a. whether any party to a transaction referred to in subdivision (a) of this Article SEVENTH is a five percent beneficial owner; and

b. whether a proposed transaction is subject to the provisions of subdivision (a) or (b) of this Article SEVENTH.

Any such determination shall be conclusive and binding for all purposes of this Article SEVENTH.

EIGHTH: No amendment to this Certificate of Incorporation shall amend, alter, change or repeal any of the provisions of Article FIFTH or Article SEVENTH or this Article EIGHTH unless the amendment effecting such amendment, alteration, change or repeal shall receive the affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of Common Stock of this Corporation (including at least fifty percent (50%) of the outstanding shares of Common Stock held by stockholders other than a five percent beneficial owner).

NINTH: The Corporation may, to the full extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as amended from time to time, indemnify such persons who it may indemnify pursuant thereto.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the corporation to be hereunto affixed this 22nd day of April 1981

Ray J. Icho
.....
(~~Chairman~~) President

ATTEST:

CORPORATE SEAL

Charles F. Pifford
.....
(Assistant) Secretary

STATE OF *NEW YORK*
COUNTY OF *NEW YORK* SS.:

Be it remembered that on this 22nd day of *APR.*, 1981, personally came before me *M. Weiss* a notary public in and for the county and state aforesaid, *I Icho*, party to the foregoing certificate, known to me personally to be such, and duly acknowledged the said certificate to be his act and deed, and that the facts therein stated are true.

Given under my hand and seal of office the day and year aforesaid.

Manny Weiss
.....

MANNY WEISS
Notary Public, State of New York
No. 01WE959513 Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1982

NOTARIAL SEAL

5/8/87

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ENGELHARD CORPORATION

Adopted Pursuant to Section 242

of the

Delaware General Corporation Law

We, Arthur A. Dornbusch, II, Vice President and Secretary, and Lester Fliegel, Assistant Secretary of Engelhard Corporation (the "Corporation"), do hereby certify under the seal of said Corporation as follows:

1. The first paragraph of Article FOURTH of the Corporation's Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

FOURTH: The total number of shares of capital stock that may be issued by the Corporation is 85,000,000, of which 5,000,000 shares, without par value, shall be Preferred Stock (hereinafter in this Article FOURTH referred to as "Preferred Stock"), and of which 80,000,000 shares, par value of \$1 per share, shall be Common Stock. Shares of the stock of any class of the Corporation may be issued by the Corporation from time to time for such legally sufficient consideration as may be fixed from time to time by the Board of Directors. Any and all shares so issued for which the consideration is so fixed has been paid or delivered to the Corporation and shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of said shares shall not be liable for any further payments in respect of such shares.

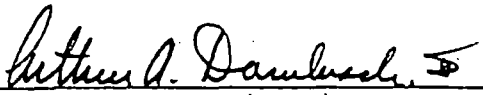
2. The Corporation's Restated Certificate of Incorporation is hereby amended to add to the Restated Certificate of Incorporation an Article TENTH which shall read in its entirety as set forth below:

TENTH: No director of the Corporation shall be held personally liable to the Corporation or its shareholders for monetary damages of any kind for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under section 174 of the Delaware General Corporation Law, or (4) for any transaction from which the

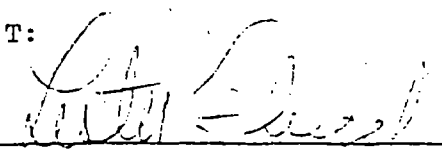
director derived an improper personal benefit. No amendment to or repeal of this Article TENTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

3. The amendments to the Restated Certificate of Incorporation set forth herein have been approved by the stockholders of the Corporation in accordance with the provisions of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the Corporation to be hereunto affixed this 7th day of May, 1987.


Arthur A. Dornbusch, II
Vice President and Secretary

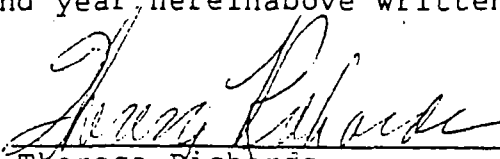
ATTEST:


Lester Fliegel
Assistant Secretary

STATE OF NEW JERSEY)
: SS.:
COUNTY OF MIDDLESEX)

BE IT REMEMBERED that on this 7th day of May, 1987 personally came before me, Theresa Richards, a Notary Public in and for the County and State aforesaid, Arthur A. Dornbusch, II and Lester Fliegel, Vice President and Secretary and Assistant Secretary, respectively, of ENGELHARD CORPORATION, the Corporation mentioned in the foregoing Certificate, to me known and known by me to be the persons whose signatures appear on the foregoing Certificate, and they being by me duly sworn did depose and say that they signed and acknowledged the said Certificate to be their act and deed and the act and deed of the said Corporation, and that the seal thereto affixed is the seal of the said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.


Theresa Richards
Notary Public

Theresa Richards
Notary Public of New Jersey
My Commission Expires July 1, 1990

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
ENGELHARD METALS CORPORATION
INTO
ENGELHARD CORPORATION

ENGELHARD CORPORATION, a corporation organized and existing under the laws of Delaware,

DOES HEREBY CERTIFY:

FIRST: That this corporation was incorporated on the 28th day of November, 1938, pursuant to the General Corporation Law of the State of Delaware.

SECOND: That this corporation owns all of the outstanding shares of the stock of Engelhard Metals Corporation, a corporation incorporated on the 21st day of October, 1982, pursuant to the General Corporation Law of the State of Delaware.

THIRD: That this corporation, by the following resolutions of its Board of Directors, duly adopted at a meeting held on the 3rd day of September, 1992, determined to and did merge into itself said Engelhard Metals Corporation.

RESOLVED, that this Corporation merge into itself its subsidiary, Engelhard Metals Corporation, a Delaware corporation, and assume all of its liabilities and obligations in such manner that the name, capital stock, by-laws, directors and officers of this Corporation shall be unaffected by the merger, and the capital stock of Engelhard Metals Corporation shall be completely cancelled;

FURTHER RESOLVED, that the merger shall be effective on December 31, 1992.

FURTHER RESOLVED, that the proper officers of this Corporation be and hereby are, and each of them be and hereby is, authorized and directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge said Engelhard Metals Corporation into this Corporation and assume its liabilities and obligations, and the date of adoption thereof, and to cause the same to be filed with the Secretary of State and a certified copy recorded in the office of the Recorder of Deeds of New Castle County and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in any way necessary or proper to effect said merger.

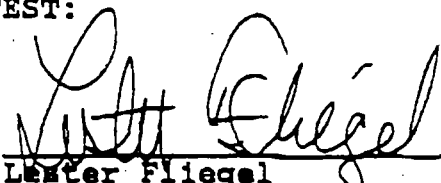
FOURTH: Anything herein or elsewhere to the contrary notwithstanding, this merger may be amended or terminated and abandoned by the Board of Directors of Engelhard Corporation at any time prior to the date of filing the merger with the Secretary of State.

IN WITNESS WHEREOF, said ENGELHARD CORPORATION caused this Certificate to be signed by Robert L. Guyett, Senior Vice President and Chief Financial Officer and attested by Lester Fliegel, Assistant Secretary, this 17th day of November, 1992.

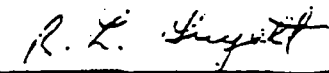
ENGELHARD CORPORATION

ATTEST:

By


Lester Fliegel
Assistant Secretary

By


Robert L. Guyett
Senior Vice President
Chief Financial Officer

5-7-93

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ENGELHARD CORPORATION

Adopted Pursuant to Section 242

of the

Delaware General Corporation Law

We, Arthur A. Dornbusch, II, Vice President and Secretary, and Lester Fliegel, Assistant Secretary of Engelhard Corporation (the "Corporation"), do hereby certify under the seal of said Corporation as follows:

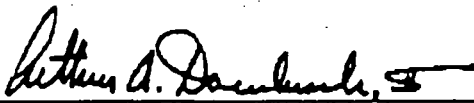
1. The first paragraph of Article FOURTH of the Corporation's Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

FOURTH: The total number of shares of capital stock that may be issued by the Corporation is 205,000,000 of which 5,000,000 shares, without par value, shall be Preferred Stock (hereinafter in this Article FOURTH referred to as "Preferred Stock"), and of which 200,000,000 shares, par value of \$1 per share, shall be Common Stock. Shares of the stock of any class of the Corporation may be issued by the Corporation from time to time for such legally sufficient consideration as may be fixed from time to time by the Board of Directors. Any and all shares so issued for which the consideration is so fixed has been paid or delivered to the Corporation and shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of said shares shall not be liable for any further payments in respect of such shares.

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2. The amendment to the Restated Certificate of Incorporation set forth herein has been approved by the stockholders of the Corporation in accordance with the provisions of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the Corporation to be hereunto affixed this 6th day of May, 1993.


Arthur A. Dornbusch, II
Vice President and Secretary

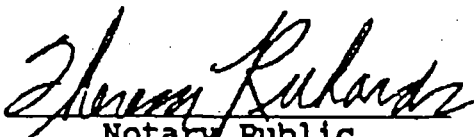
ATTEST:


Lester Fliegel
Assistant Secretary

STATE OF NEW JERSEY)
: SS.:
COUNTY OF MIDDLESEX)

BE IT REMEMBERED that on this 6th day of May, 1993 personally came before me, Theresa Richards, a Notary Public in and for the County and State aforesaid, Arthur A. Dornbusch, II and Lester Fliegel, Vice President and Secretary and Assistant Secretary, respectively, of ENGELHARD CORPORATION, the Corporation mentioned in the foregoing Certificate, to me known and known by me to be the persons whose signatures appear on the foregoing Certificate, and they being by me duly sworn did depose and say that they signed and acknowledged the said Certificate to be their act and deed and the act and deed of the said Corporation, and that the seal thereto affixed is the seal of the said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.


Notary Public
THERESA RICHARDS
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES 11/11/94

5-2-96

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
OF
ENGELHARD CORPORATION

Adopted Pursuant to Section 242

of the

Delaware General Corporation Law

We, Arthur A. Dornbusch, II, Vice President and Secretary, and Stephen I. Miller, Assistant Secretary of Engelhard Corporation (the "Corporation"), do hereby certify under the seal of said Corporation as follows:

1. The first paragraph of Article FOURTH of the Corporation's Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

FOURTH: The total number of shares of capital stock that may be issued by the Corporation is 355,000,000 of which 5,000,000 shares, without par value, shall be Preferred Stock (hereinafter in this Article FOURTH referred to as "Preferred Stock"), and of which 350,000,000 shares, par value of \$1 per share, shall be Common Stock. Shares of the stock of any class of the Corporation may be issued by the Corporation from time to time for such legally sufficient consideration as may be fixed from time to time by the Board of Directors. Any and all shares so issued for which the consideration is so fixed has been paid or delivered to the Corporation and shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of said shares shall not be liable for any further payments in respect of such shares.

-2-

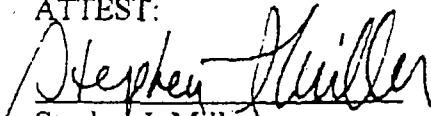
2. The amendment to the Restated Certificate of Incorporation set forth herein has been approved by the stockholders of the Corporation in accordance with the provisions of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have signed this certificate and caused the corporate seal of the Corporation to be hereunto affixed this 2nd day of May, 1996.



Arthur A. Dornbusch, II
Vice President and Secretary

ATTEST:



Stephen I. Miller
Assistant Secretary

STATE OF NEW JERSEY)

: ss.:

COUNTY OF MIDDLESEX)

BE IT REMEMBERED that on this 2nd day of May, 1996 personally came before me, Theresa Richards, a Notary Public in and for the County and State aforesaid, Arthur A. Dornbusch, II and Stephen I. Miller, Vice President and Secretary and Assistant Secretary, respectively, of ENGELHARD CORPORATION, the Corporation mentioned in the foregoing Certificate, to me known and known by me to be the persons whose signatures appear on the foregoing Certificate, and they being by me duly sworn did depose and say that they signed and acknowledged the said Certificate to be their act and deed and the act and deed of the said Corporation, and that the seal thereto affixed is the seal of the said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.



Notary Public

TERESA RICHARDS
Notary Public of New Jersey
Commission Expires June 27, 2000

BY-LAWS AMENDMENT REGARDING ELECTRONIC VOTING

RESOLVED, that Section 8 of Article II of the By-Laws of the Corporation be and they are hereby amended and restated in its entirety to read as follows:

"Section 8. Voting. Each stockholder of record of the Corporation shall, at every Meeting of the Stockholders of the Corporation, be entitled to one vote for each share of stock standing in his name on the books of the Corporation on any matter on which he is entitled to vote, and such votes may be cast either in person or by proxy, but no proxy shall be voted on after one year from its date.

A stockholder may authorize another person or persons to act for him as proxy by (i) executing a writing authorizing another person or persons to act for him as proxy (such execution may be accomplished by the stockholder or his authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature), or (ii) transmitting or authorizing the transmission of a telegram, cablegram, Internet, interactive voice response system or other means of electronic transmission (including by telephone) to the person who will be the holder

of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram, Internet, interactive voice response system or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram, Internet transmission, interactive voice response system or other electronic transmission was authorized by the stockholder. If no date is stated in a proxy, such proxy shall be presumed to have been executed on the date of the Meeting at which it is to be voted. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power or unless otherwise made irrevocable by law.

The vote on all elections of directors shall be by ballot and, upon demand of any stockholder, the vote on any other question before the Meeting shall be by ballot or otherwise as determined by the Chairman of the Meeting.

Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, all elections shall be had and all questions decided by a majority of the votes cast."

RESOLVED, that the proper officers of this Corporation be and they are hereby authorized and directed to take all actions which in their judgment are necessary or appropriate in order to implement the foregoing resolutions.

ENGELHARD CORPORATION

I, Lester Fliegel, Assistant Secretary of Engelhard Corporation, a corporation duly organized and existing under the laws of the State of Delaware, DO HEREBY CERTIFY, that the following is a true copy of a resolution adopted by the Board of Directors of said Corporation at a meeting duly called and held on December 17, 1998 at which a quorum was present and voting, and that said resolution has not been revoked or amended, and is in full force and effect:

RESOLVED, that the By-Laws of Engelhard Corporation be and they are hereby amended by adding the following new SECTION 7 of ARTICLE II, following Section 8, and by renumbering present Sections 7 and 8 as Sections 8 and 9, respectively:

Section 7. Notice of Nominations and Business.

Nominations of persons for election to the Board of Directors (hereinafter sometimes referred to as the "Board") and the proposal of business to be transacted by the Stockholders may be made at an Annual Meeting of the Stockholders (a) pursuant to the Corporation's notice with respect to such Meeting, (b) by or at the direction of the Board or (c) by any Stockholder of record of the Corporation who was a Stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the Meeting and who has complied with the notice procedures set forth in this Section.

For nominations or other business to be properly brought before an Annual Meeting by a Stockholder pursuant to clause (c) of the foregoing paragraph, (1) the Stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2) such business must be a proper matter for Stockholder action under the General Corporation Law of the State of Delaware, (3) if the Stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause (c)(iii) of this paragraph, such Stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the Corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such Stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such Stockholder, and must, in either case, have included in such materials the Solicitation Notice and (4) if no Solicitation Notice relating thereto has been timely provided pursuant to this Section, the Stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section. To be timely, a Stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 60

or more than 90 days prior to the first anniversary (the "Anniversary") of the date on which the Corporation first mailed its proxy materials for the preceding year's Annual Meeting of the Stockholders; provided, however, that if the date of the Annual Meeting is advanced more than 30 days prior to or delayed by more than 30 days after the Anniversary of the preceding year's Annual Meeting, notice by the Stockholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such Annual Meeting or (ii) the 10th day following the day on which public announcement of the date of such Meeting is first made. Such Stockholder's notice shall set forth (a) as to each person whom the Stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such person's written consent to serve as a director if elected; (b) as to any other business that the Stockholder proposes to bring before the Meeting, a brief description of such business, the reasons for conducting such business at the Meeting and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the Stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such Stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such Stockholder and such beneficial owner, and (iii) whether either such Stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

Notwithstanding anything in the second sentence of the second paragraph of this Section 7 to the contrary, in the event that the number of directors to be elected to the Board is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board made by the Corporation at least 70 days prior to the Anniversary, a Stockholder's notice required by these By-Laws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it

shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.


Only persons nominated in accordance with the procedures set forth in this Section 7 shall be eligible to serve as directors and only such business shall be conducted at an Annual Meeting of the Stockholders as shall have been brought before the Meeting in accordance with the procedures set forth in this Section. The chairman of the Meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the Meeting has been made in accordance with the procedures set forth in these By-Laws and, if any proposed nomination or business is not in compliance with these By-Laws, to declare that such defective proposed business or nomination shall not be presented for Stockholder action at the Meeting and shall be disregarded.

Only such business shall be conducted at a Special Meeting of the Stockholders as shall have been brought before the Meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a Special Meeting of the Stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board or (b) by any Stockholder of record of the Corporation who is a Stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the Meeting and who complies with the notice procedures set forth in this Section 7. Nominations by Stockholders of persons for election to the Board may be made at such a Special Meeting of the Stockholders if the Stockholder's notice required by the second paragraph of this Section 7 shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the later of the 90th day prior to such Special Meeting or the 10th day following the day on which public announcement is first made of the date of the Special Meeting and of the nominees proposed by the Board to be elected at such Meeting.

For purposes of this Section, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

Notwithstanding the foregoing provisions of this Section 7, a Stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 7. Nothing in this Section shall be deemed to affect any rights of Stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

IN WITNESS WHEREOF, I have hereunto set my hand as Assistant Secretary of said Corporation and affixed the Corporate seal this 17th day of December, 1998.



Lester Fliegel
Assistant Secretary

(SEAL)

ENGELHARD CORPORATION

I, Lester Fliegel, Assistant Secretary of Engelhard Corporation, a corporation duly organized and existing under the laws of the State of Delaware, DO HEREBY CERTIFY, that the following is a true copy of a resolution adopted by the Board of Directors of said Corporation at a meeting duly called and held on June 12, 1997 at which a quorum was present and voting, and that said resolution has not been revoked or amended, and is in full force and effect:

RESOLVED, that the By-Laws of the Corporation are hereby amended by adding the following new ARTICLE XVII following existing ARTICLE XVI and renumbering existing ARTICLE XVII as ARTICLE XVIII:

ARTICLE XVII

Indemnification

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the full extent authorized by the Delaware General Corporation law, as the same exists or may hereinafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or by other applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such indemnatee in connection therewith and such indemnification shall continue as to an indemnatee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnatee's heirs, executors and administrators, provided, however, that except as provided in Section 2 of this ARTICLE XVII with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee seeking indemnification in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of

expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee while a director or officer, including, without limitation, service to an employee benefit plan) shall be made only upon provision to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined that such indemnitee is not entitled to be indemnified under this Section 1, or otherwise.

Section 2. Right of Indemnitee to Bring Suit. If a claim under Section 1 of this ARTICLE XVII is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the indemnitee shall be entitled to be paid also the expense of prosecuting such suit. The indemnitee shall be presumed to be entitled to indemnification under this ARTICLE XVII upon submission of a written claim (and, in an action brought to enforce a claim for an advancement of expenses where the required undertaking, if any is required, has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is not so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

Section 3. Nonexclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this ARTICLE XVII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance, Contracts and Funding. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation law. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this Article and may create trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

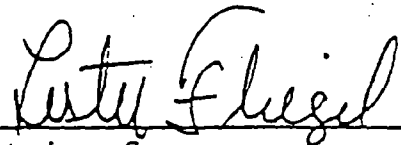
Section 5. Definition of Director and Officer. Any person who is or was serving as a director of a wholly owned subsidiary of the Corporation shall be deemed, for purposes of this Article only, to be a director or officer of the Corporation entitled to indemnification under this Article.

Section 6. Indemnification of Employees and Agents of the Corporation. The Corporation may, by action of its Board of Directors from time to time grant rights to indemnification and advancement of expenses to employees and agents of the Corporation with the same scope and effects as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

; and further

RESOLVED, that the proper officers of this Corporation be and they are hereby authorized and directed to take all actions which in their judgment are necessary or appropriate in order to implement the foregoing resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as Assistant Secretary of said Corporation and affixed the Corporate seal this 12th day of June, 1997.


Assistant Secretary

ENGELHARD CORPORATION

I, Arthur A. Dornbusch, II, Secretary of Engelhard Corporation, a corporation duly organized and existing under the laws of the State of Delaware, DO HEREBY CERTIFY, that the following is a true copy of a resolution adopted by the Board of Directors of said Corporation at a special meeting duly called and held on May 2, 1988 at which a quorum was present and voting, and that said resolution has not been revoked or amended, and is in full force and effect:

RESOLVED, that ARTICLE XVII of the By-Laws of the Corporation is hereby amended to read in full as follows:

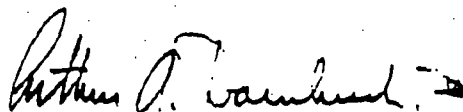
ARTICLE XVII

Amendments

Section 1. These By-Laws may be altered or repealed at any Regular Meeting of the stockholders or at any Special Meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such Special Meeting, by the affirmative vote of a majority of the stock entitled to vote at such Meeting and present or represented thereat, or except as provided in Section 2 hereof, by the affirmative vote of a majority of the Board of Directors at any Regular Meeting of the Board or at any Special Meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such Special Meeting; provided, however, that the provisions of Section 5 of Article II, Section 2 of Article III, Article VII and this Article XVII, insofar as they relate to the rights of the holders of the Corporation's Preferred Stock, may not be amended without the affirmative vote of the holders of majority of such Preferred Stock voting separately as a class.

Section 2. The Corporation, by action of the Board of Directors, has expressly elected not to be governed by Section 203 of the Delaware General Corporation Law. This Section 2 of ARTICLE XVII shall not be amended by the Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said Corporation and affixed the Corporate seal this 4th day of May, 1988.



Secretary

ENGELHARD CORPORATION

BY-LAWS

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ARTICLE I

Offices

The registered office of the Corporation in the State of Delaware shall be at No. 100 West 10th Street, Wilmington, Delaware.

The Corporation shall also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time designate.

ARTICLE II

Stockholders

Section 1. Annual Meetings. The Annual Meeting of the Stockholders of the Corporation for the election of Directors and the transaction of such other business, notice of which was given in the Notice of the Meeting, together with such other business as may properly come before said Meeting, shall be held in such suitable place as may be from time to time designated by the Board of Directors, on the first Thursday of the month of May in each year commencing 1982, if not a legal holiday under the laws of the state where the Meeting is to be held, and, if a legal holiday under the laws of such state, then on the next business day following at 10:00 o'clock in the forenoon.

Section 2. Special Meetings. A Special Meeting of the Stockholders of the Corporation for any purpose or purposes other than those regulated by statute may be called by resolution of the Board of Directors or by the Chairman of the Board of Directors or the President and shall be called by the Chairman of the Board of Directors, the President or the Secretary at the request in writing of the majority of the Board of Directors or of Stockholders owning at least one-third of the shares of the stock of the Corporation issued and outstanding and entitled to vote at said meeting. Any such Special Meeting shall be held in such suitable place as may be designated by the Board of Directors.

Section 3. Notice of Meetings. Written notice of every Meeting of the Stockholders shall be given which shall state the place, date and hour of the Meeting and the purpose(s) for which the Meeting was called. Unless otherwise provided by statute, such written notice shall be given not less than ten nor more than sixty days before the date of any Meeting to each stockholder entitled to vote at such Meeting. If mailed, notice shall be given when deposited in

the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. When a Meeting is adjourned to another time or place, notice need not be given of the adjourned Meeting if the time and place thereof are announced at the Meeting at which the adjournment is taken. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned Meeting, a notice of the adjourned Meeting shall be given to each stockholder of record entitled to vote at the Meeting.

Section 4. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every Meeting of the Stockholders, a complete list of the stockholders entitled to vote at the Meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the Meeting, during ordinary business hours, for a period of at least ten days prior to the Meeting, either at a place within the city where the Meeting is to be held, which place shall be specified in the notice of the Meeting, or, if not so specified, at the place where the Meeting is to be held. The list shall also be produced and kept at the time and place of the Meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. Quorum. At any Meeting of the Stockholders of the Corporation, except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, there must be present, either in person or by proxy, in order to constitute a quorum, the holders of a majority of the outstanding shares of the stock of the Corporation entitled to vote at said Meeting. If at any such Meeting a quorum shall fail to be present, the holders of, or proxies for, a majority of the stock which is represented at such Meeting, may adjourn the Meeting from time to time without notice other than the announcement at the Meeting (subject to the provisions of Section 3 of this Article II) until a quorum shall attend, and thereupon, any business may be transacted at the adjourned Meeting which might have been transacted at the Meeting as originally called.

Notwithstanding the foregoing, at all Meetings of the Stockholders whenever the holders of the Corporation's Preferred Stock shall have the special right, voting separately as a class, to elect directors or to vote with

respect to other corporate action, the presence in person or by proxy of the holders of a majority of the Corporation's outstanding Common Stock shall be required to constitute a quorum of such class, and the presence in person or by proxy of the holders of a majority of the outstanding Preferred Stock shall be required to constitute a quorum of such class; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such Meeting or adjournment thereof of directors or the taking of a vote with respect to such other corporate action by the other such class if the necessary quorum of the holders of stock of such other class is present in person or by proxy at such Meeting or any adjournment thereof; and provided further, however, that in the absence of a quorum of the holders of stock of either class, a majority of the holders of the stock of the class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class or the taking of a vote with respect to such other corporate action from time to time without notice other than announcement at the Meeting (subject to the provisions of Section 3 of this Article II) until the requisite number of holders of such class shall be present in person or by proxy.

Section 6. Organization. The Chairman of the Board of Directors and in his absence the President and in the absence of the Chairman and the President such other officer as the Board of Directors may, from time to time, designate shall act as chairman of any Meeting of the Stockholders of the Corporation. The Secretary or, in his absence, any person appointed by the Chairman of the Meeting, shall act as secretary of the Meeting.

Section 7. Voting. Each stockholder of record of the Corporation shall, at every Meeting of the Stockholders of the Corporation, be entitled to one vote for each share of stock standing in his name on the books of the Corporation on any matter on which he is entitled to vote, and such votes may be cast either in person or by proxy, but no proxy shall be voted on after one year from its date.

The vote on all elections of directors shall be by ballot and, upon demand of any stockholder, the vote on any other question before the Meeting shall be by ballot or otherwise as determined by the Chairman of the Meeting.

Except as otherwise provided by statute, the Certificate of Incorporation or these By-Laws, all elections shall be had and all questions decided by a majority of the votes cast.

Section 8. Judges. At every meeting of the Stockholders of the Corporation at which a vote by ballot is taken, the polls shall be opened and closed, the proxies and ballots shall be received and taken in charge, and all questions touching the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by two Judges with appeal to the Chairman of the Meeting. Said Judges shall be appointed by the presiding officer of the Meeting.

ARTICLE III

Directors

Section 1. Number, Election and Term of Office. The business of the Corporation shall be managed by a Board of Directors (hereinafter sometimes referred to as the "Board"). The number of directors which shall constitute the Board and term of such directors shall be as set forth in the Certificate of Incorporation. Each director shall hold office until his successor is elected and qualified or until he shall resign or shall have been removed.

In addition to the powers by these By-Laws expressly conferred upon them, the Board may exercise all powers and do all lawful acts and things other than those required by law, the Certificate of Incorporation or these By-Laws to be exercised or done by the stockholders.

Section 2. Vacancies and Newly Created Directorships. Any vacancy or vacancies which may occur among the directors through death, resignation, or disqualification or for any other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by a majority of the directors then in office, though less than a quorum, subject to the provisions hereinafter contained in this Section 2. A director elected to fill a vacancy or a newly created directorship shall be elected to hold office until the next Annual Meeting of the Stockholders at which the term of the class of directors to which he was elected expires and until his successor has been elected and qualified.

In case of any vacancy in the office of a director occurring among the directors elected by the holders of the Corporation's Preferred Stock, voting separately as a class, the remaining director elected by the holders of the Preferred Stock may designate a successor to hold office for the unexpired term of the director whose place is vacant. Likewise in case of any vacancy in the office of a director occurring among the directors elected by the holders of the Corporation's Common Stock, the remaining director(s)

elected by the holders of the Common Stock, by affirmative vote of a majority thereof, may elect a successor or successors to hold office for the unexpired term of the director or directors whose place or places shall be vacant.

Section 3. Regular Meetings. Regular Meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by resolution of the Board.

Section 4. Special Meetings. Special Meetings of the Board may be called by the Chairman of the Board, the Vice Chairman of the Board, the President or any two directors, and such Meetings shall be held at the registered office of the Corporation in the State of Delaware or at such other place or places, either within or without the State of Delaware, as shall be specified in the notices thereof.

Section 5. Notice. Notice of any Meeting of the Board requiring notice shall be given to each Director by mailing the same at least forty-eight (48) hours, or by telegraphing or telephoning the same at least twelve (12) hours before the time fixed for the meeting. At any meeting at which every director shall be present any and all business may be transacted even though no notice shall have been given.

Section 6. Quorum. At all Meetings of the Board the presence of one-third of the directors shall be necessary to constitute a quorum and be sufficient for the transaction of business and any act of a majority present at a meeting, at which there is a quorum, shall be the act of the Board, except as may be otherwise specifically provided by statute, the Certificate of Incorporation or these By-Laws.

Section 7. Organization. The Chairman of the Board of Directors, or in his absence the President, shall act as Chairman of any meeting of the Board, and the Secretary, or in his absence any Assistant Secretary, shall act as Secretary of any such meeting.

Section 8. Adjournment. Any Regular or Special Meeting of the Board of Directors may be adjourned from time to time by the members present whether or not a quorum shall be present, and no notice shall be required of any adjourned meeting beyond the announcement of such adjournment of the meeting.

Section 9. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these

By-Laws, any action required or permitted to be taken at any Meeting of the Board of Directors or any committee referred to in these By-Laws may be taken without a meeting if all members of the Board or of such committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

Section 10. Compensation. Each director, in consideration of his serving as such, shall be entitled to receive from the Corporation such compensation as the Board shall from time to time determine, together with reimbursement for reasonable expenses incurred by him in attending meetings of the Board. Each director who shall serve as a member of the Executive Committee or any other committee of the Board provided for in these By-Laws, in consideration of his serving as such, shall be entitled to such additional compensation as the Board shall from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 11. Directors Emeritus. The Board of Directors may, at any time and from time to time, designate one or more persons as Directors Emeritus. Directors Emeritus shall be entitled to attend, in an advisory capacity, all meetings of the Board, may serve on such committees of the Board and perform such other services for the Corporation as may be determined by the Board from time to time, but shall have no power to vote at meetings of the Board or otherwise to manage the business and affairs of the Corporation. Whenever in this Article III and elsewhere in these By-Laws the term "Board", "Director" or "Directors" are used, such terms shall not include Directors Emeritus within their meanings. Each Director Emeritus, in consideration of his serving as such, shall be entitled to receive from the Corporation such compensation as the Board shall from time to time determine, together with reasonable expenses incurred by him in attending meetings of the Board.

ARTICLE IV

Committees

Section 1. Executive Committee. The Board of Directors, by resolution passed by a majority of the whole Board, may designate an Executive Committee to consist of such number of the Directors as shall be determined from time to time by the Board. The President shall be an "ex officio" member of such Committee. The Board may designate one or more

directors as alternate members of such Committee, who may replace any absent or disqualified member(s) at any meeting thereof. The Executive Committee shall serve at the pleasure of the Board of Directors and shall have and shall exercise all powers of the Board in the general and active management of the business and the affairs of the Corporation even if not referred to in these By-Laws in the description of such power(s), except that the Executive Committee shall not have and may not exercise the following powers:

(i) To submit or recommend to the stockholders any action which any applicable statute requires to be approved by a vote of the stockholders;

(ii) To amend or repeal the By-Laws or to adopt any By-Laws;

(iii) To amend, alter or repeal any resolution of the Board of Directors which by its terms provides that it will not be amended, altered or repealed by the Executive Committee;

(iv) To fix compensation for service as a member of the Executive Committee;

(v) To call any securities of the Corporation for redemption, conversion or purchase by the Corporation, or to authorize the issuance or sale of any authorized but non-issued stock, or any Treasury stock of the Corporation;

(vi) To declare dividends upon any class of capital stock of the Corporation.

Section 2. Chairman of the Executive Committee.

The Chairman of the Board of Directors shall serve as Chairman of the Executive Committee.

Section 3. Other Committees. The Board of Directors may appoint such other committees, which may include as members directors only or directors and non-directors, as the Board may from time to time consider desirable, and such committees shall have such powers and duties as the Board may properly determine; provided, however, that the powers and duties of any such committee whose members shall include non-directors shall be limited to making recommendations to the Board of Directors.

Section 4. Committee Vacancies, etc. Any committee appointed pursuant to this Article shall serve at the pleasure of the Board, which shall have power at any time to change the membership of such committee, to fill vacancies in it or to dissolve it; but, subject to such change or dissolution, members of a committee shall hold office until the first meeting of the Board of Directors following the Annual Meeting of the Stockholders next succeeding their appointment and until their successors are appointed.

Section 5. Committee Meetings. Meetings of a committee shall be held at such place within or without the State of Delaware as may from time to time be determined by the Board of Directors or the Committee, and no notice of such regular meetings shall be required. Special Meetings of the Executive Committee may be called by the Chairman of the Executive Committee or the President or any member of the Committee and in the case of any other committee may be called by the chairman of such committee or by the Chairman of the Executive Committee, the President, and any one of the Executive Vice Presidents or the Secretary, and shall be called by the Secretary on the written request of any member of such committee. Notice of a Special Meeting of any committee shall be given to each member thereof by mailing the same at least 48 hours, or by telegraphing or telephoning the same at least 12 hours, before the time of Meeting. The majority of the members of a committee shall constitute a quorum for the transaction of committee business, and the act of a majority of the members present at any Meeting at which there is a quorum shall be the act of the committee; however, in the case of the Executive Committee, in the event of a tie vote, the Chairman of the Executive Committee shall have the casting vote. A committee shall keep regular minutes of its Meetings which shall be reported to the Board of Directors when required.

ARTICLE V

Officers

Section 1. Number, Election and Term of Office. The officers of the Corporation shall be a Chairman of the Board of Directors, a President, one or more Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, a Secretary, a Treasurer, a General Counsel and a Controller who shall be elected by the Board of Directors at any Regular or Special Meeting of the Board, and such other officers as may be appointed by the Board. Any officer elected by the Board of Directors shall hold office until his successor shall be elected and shall have qualified, but such officer may be removed at any time by the affirmative vote of a

majority of the Board. The Board may from time to time elect or appoint such other officers and agents as the interests of the Corporation may require and may fix their duties and terms of office. More than one office may be held by the same person.

Section 2. Chairman of the Board of Directors. The Chairman of the Board of Directors shall be a Director. He shall preside at all meetings of stockholders and of the Board of Directors at which he shall be present, and he shall perform such other duties and enjoy such other powers as shall be delegated to him by the Board of Directors or which are or may at any time be required by law.

Section 3. President. The President shall perform all the duties and enjoy all the powers commonly incident to his office or delegated to him or which are, or may be authorized or required by law. He shall be a director and shall be the Chief Executive Officer of the Corporation. In the absence of the Chairman of the Board of Directors, he shall have and perform the duties of that office.

Section 4. Executive Vice Presidents, Senior Vice Presidents, Vice Presidents and Other Officers. In the event of non-availability or disability of the Chairman of the Board of Directors and the President, then the Executive Vice Presidents, Senior Vice Presidents and Vice Presidents in the order of designation by the Board or the Executive Committee shall perform the duties of the President. Additionally, the Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall perform such duties as the Board of Directors and the President shall require.

Section 5. Secretary. The Secretary shall record all the proceedings of the Meetings of the Board of Directors and the Executive Committee, and of the stockholders of the Corporation in a book or books to be kept for that purpose. He shall have custody of the records and of the seal of the Corporation and may affix the seal to any instrument requiring the seal when authorized by the Board of Directors or the Executive Committee. He shall have charge of the stock certificate and stock transfer books of the Corporation. He shall notify the directors and stockholders of the respective meetings as required by law or the By-Laws of the Corporation, and shall perform such other duties as may be required of him. The Assistant Secretaries shall, during the absence or incapacity of the Secretary, assume and perform all functions and duties which the Secretary might lawfully do if present and not under any incapacity.

Section 6. Treasurer. The Treasurer shall have charge of the funds of the Corporation. He shall keep

full and accurate accounts of all receipts and disbursements of the Corporation in books belonging to the Corporation, and shall deposit all money and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors or the Executive Committee. He shall disburse the funds of the Corporation as may be ordered by the Board, and shall render an account of all his transactions as Treasurer. The Assistant Treasurers shall during the absence or incapacity of the Treasurer assume and perform all functions and duties which the Treasurer might lawfully do if present and not under any incapacity.

Section 7. Controller. The Controller shall be the Chief Accounting Officer of the Corporation. He shall maintain the records of the Corporation pertaining to its fiscal affairs and see that adequate audits thereof are currently and regularly made. He shall render an account of the financial condition of the Corporation and shall perform such other duties incident to his office as shall be delegated to him by the Board of Directors.

Section 8. General Counsel. The General Counsel shall be the chief officer of the Corporation for legal proceedings and matters of a legal nature and shall have the responsibility of supervising such matters and proceedings.

Section 9. Bonds. The Treasurer and Assistant Treasurers, if required so to do by the Board of Directors, shall give a bond for the faithful performance of their duties, in such sum and with such surety or sureties as the Board of Directors may require.

Section 10. Vacancies. If for any reason any vacancy occurs in any office or agency of the Corporation, the Board of Directors or the Executive Committee may choose a successor to hold office for the unexpired term of the office in question.

ARTICLE VI

Division Officers

Section 1. Appointment. In case of any business carried on by the Corporation as a division of the Corporation, the Board of Directors or the Executive Committee may appoint one or more officers of the division.

Section 2. Authority. The officers of the division shall have such powers, authorities, functions and responsibilities with respect to the business, operations and affairs

of the division as may be prescribed from time to time by the Board, the Chief Executive Officer of the Corporation or the President of the division pursuant to authorization given by the Board or by said Chief Executive Officer. All acts, contracts, engagements and undertakings by such division officers within the scope of their powers, authorities, functions or responsibilities shall be binding upon the Corporation and the division for which such officers shall have acted.

ARTICLE VII

Removal of Directors

Any director may be removed only with cause at any time by the vote of the holders of a majority of all the shares of stock of the Corporation entitled to vote for his election, given at a Meeting called for that purpose, and the vacancy in the Board caused by such removal may be filled by such stockholders at such meeting or, if the stockholders shall fail to fill such vacancy, by the Board by a majority vote of the remaining directors (except as provided in Section 2, Article III of these By-Laws) though less than a quorum.

ARTICLE VIII

Contracts, Checks, Drafts, Etc.

Section 1. Contracts, etc., How Executed. The Board, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, or employee, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances, and may be granted by the Board pursuant to authorization given by the Board, and, unless so authorized, no agent or employee shall have power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

Section 2. Loans. No loan shall be contracted on behalf of the Corporation and no negotiable paper shall be issued in its name, unless authorized by, or given pursuant to authorization of, the Board. When so authorized by the Board of Directors or the Executive Committee, any officer or agent of the Corporation may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and

deliver promissory notes, or other evidences of indebtedness of the Corporation. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts, bills of exchange and promissory notes and other negotiable instruments of the Corporation shall be signed by such officers or agents of the Corporation as may be designated by the Board.

ARTICLE IX

Stock

Section 1. Certificates of Stock. The certificates for shares of stock of the Corporation shall be in such form, not inconsistent with the Certificate of Incorporation, as shall be prepared or approved by the Board of Directors. Every certificate shall be signed by the Chairman, the President or any Executive Vice President, Senior Vice President or Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, and no certificate shall be valid unless so signed, provided, however, that where such certificate is countersigned by a registrar designated by the Corporation for such purpose, all other signatures thereon (including those of a transfer agent or an assistant transfer agent or a transfer clerk acting on behalf of the Corporation) may be facsimiles.

All certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued. Every certificate shall certify the name of the person owning the shares represented thereby, with the number of said shares and the date of issue.

All certificates surrendered to the Corporation shall be cancelled and, except in the case of lost, stolen or destroyed certificates, no new certificates shall be issued until the former certificate for the same number of shares of the same class of stock has been surrendered and cancelled.

Section 2. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

ARTICLE X

Registered Stockholders

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of Delaware.

ARTICLE XI

Lost, Stolen or Destroyed Certificates

Any person claiming a certificate of stock to be lost, stolen or destroyed, shall make an affidavit or affirmation of that fact and, if required by the Board of Directors, advertise the same in such manner as the Board may require, and the Board of Directors may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond in a sum sufficient, in the opinion of the Board of Directors, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate.

ARTICLE XII

Fixing of Record Date

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any Meeting of Stockholders or any adjournment thereof, or to express consent to corporate action in writing without a Meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such Meeting, nor more than sixty days prior to any other such action.

ARTICLE XIII

Dividends

Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any Regular or Special Meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

ARTICLE XIV

Waiver of Notice

Whenever any notice whatever is required to be given by statute or under the provisions of the Certificate of Incorporation or by these By-Laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be equivalent thereto.

ARTICLE XV

Seal

The corporate seal of the Corporation shall be circular and shall bear the name of the Corporation and the year and state of its incorporation.

ARTICLE XVI

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January of each year and shall end on the thirty-first day of December following.

ARTICLE XVII

Amendments

These By-Laws may be altered or repealed at any Regular Meeting of the stockholders or at any Special Meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such Special Meeting, by the affirmative vote of a majority of the stock entitled to

vote at such Meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any Regular Meeting of the Board or at any Special Meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such Special Meeting; provided, however, that the provisions of Section 5 of Article II, Section 2 of Article III, Article VII and this Article XVII, insofar as they relate to the rights of the holders of the Corporation's Preferred Stock, may not be amended without the affirmative vote of the holders of a majority of such Preferred Stock voting separately as a class.

DOCUMENT 3
SUBSIDIARIES OF ENGELHARD CORPORATION

Name of Subsidiary/Affiliate	Jurisdiction Under Which Incorporated or Organized
Engelhard Industries De Argentina SA	Argentina
Engelhard Belgium BVBA	Belgium
Engelhard Industries S.A.	Belgium
Engelhard Do Brasil Industria E Comercio LTDA	Brazil
Engelhard Canada, Ltd.	Canada
Engelhard Industries International, Ltd.	Canada
Mearl Company Ltd.	Canada
Shanghai Engelhard Sinopec Environmental Technologies Ltd	China
Engelhard Industries A/S	Denmark
Engelhard Industries OY	Finland
Engelhard Pigments OY	Finland
Engelhard-CLAL SAS	France
Engelhard S.A.	France
Mearl International France S.A.R.L.	France
Engelhard Holdings GmbH	Germany
Engelhard Process Chemicals GmbH	Germany
Engelhard Technologies GmbH	Germany
Engelhard Asia Pacific (China) Ltd.	Hong Kong
Engelhard Industries (Asia) Limited	Hong Kong
Engelhard Asia Pacific Mauritius Limited	India
Engelhard Asia Pacific Enterprises India Private Limited	India
Engelhard Highland Private Limited	India
Engelhard Environmental Systems India Ltd	India
Engelhard Italiana S.P.A.	Italy
Engelhard Metals Japan, Ltd.	Japan
NE Chemcat Corporation	Japan
Engelhard Asia Pacific (Korea) Ltd.	Korea
Mearl De Mexico S.A. De C.V.	Mexico
Engelhard Industries De Mexico S.A.	Mexico
Engelhard Demeern, B.V.	The Netherlands
Engelhard Investment Europe B.V.	The Netherlands
Engelhard Netherlands, B.V.	The Netherlands
Engelhard Pigments and Additives Europe, B.V.	The Netherlands
Engelhard Terneuzen, B.V.	The Netherlands
Engelhard Peru S.A.	Peru
Engelhard South Africa Proprietary, Ltd.	South Africa
Heesung-Engelhard	South Korea
Catalyst Center - Tarragona, S.L.	Spain
Engelhard Arganda SL	Spain
ECT Environmental Technologies AB	Sweden
Engelhard Metals A.G.	Switzerland
Engelhard Chemcat (Thailand) Ltd.	Thailand
Mearl International Turkey	Turkey
Dnipro Kaolin	Ukraine
Engelhard Europe Finance Limited	United Kingdom
Engelhard International, Ltd.	United Kingdom
Engelhard Limited	United Kingdom

DOCUMENT 3

Name of Subsidiary/Affiliate -----	Jurisdiction Under Which Incorporated or Organized -----
Engelhard Metals, Ltd.	United Kingdom
Engelhard Pension Trustees Limited	United Kingdom
Engelhard Sales, Ltd.	United Kingdom
Engelhard Technologies, Ltd.	United Kingdom
Engelhard Trustee Co. Ltd.	United Kingdom
The Sheffield Smelting Co., Ltd.	United Kingdom
Engelhard Export Corporation	U.S. Virgin Islands
Corporacion Engelhard De Venezuela CA	Venezuela
Engelhard West, Inc.	California
EC Delaware Incorporated	Delaware
E.I. Corporation	Delaware
Engelhard Asia Pacific, Inc.	Delaware
Engelhard C Cubed Corporation	Delaware
Engelhard DT, Inc.	Delaware
Engelhard EM Holding Company	Delaware
Engelhard Energy Corporation	Delaware
Engelhard Equity Corporation	Delaware
Engelhard Financial Corporation	Delaware
Engelhard MC, Inc.	Delaware
Engelhard Metal Plating Inc.	Delaware
Engelhard Pollution Control, Inc.	Delaware
Engelhard Power Marketing, Inc.	Delaware
Engelhard Strategic Investments Incorporated	Delaware
Engelhard Supply Corporation	Delaware
Mustang Property Corporation	Delaware
Harshaw Chemical Company	New Jersey
Engelhard Metals Holding Corp.	California
Mearl, LLC	Delaware
Engelhard-CLAL, L.P.	Delaware
Engelhard Hexcore, L.P.	Delaware
Tickford Engelhard LLC	Michigan
Engelhard PM, L.P.	Delaware

The names of other subsidiaries have been omitted since such subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as that term is defined in Rule 12b-2 (17 CFR 240.12b-2) promulgated under the Securities Exchange Act of 1934.